

**Item 1. Cover Page**

**Silver Lake Technology Management, L.L.C.**

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Part 2A of Form ADV: Firm Brochure  
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**This brochure provides information about the qualifications and business practices of Silver Lake Technology Management, L.L.C. If you have any questions about the contents of this brochure, please contact us at (650) 233-8120. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Silver Lake Technology Management, L.L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

This brochure contains a number of material changes from the last brochure dated as of September 25, 2015. While the changes herein primarily reflect items that the Adviser (as defined below) has historically communicated directly to investors in the Funds (as defined below) in the Funds' Governing Documents (as defined below) and through the Adviser's periodic reporting to investors, the Adviser is providing expanded treatment of these disclosures in this brochure to provide increased transparency. Such changes include the following:

- Additional disclosure regarding payment and allocation of fees and expenses was added
- New risk factors and additional conflicts of interest disclosure were added

### **Item 3. Table of Contents**

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#### Item 4. Advisory Business

For purposes of this brochure, unless otherwise noted, the “Adviser” means each of (i) Silver Lake Technology Management, L.L.C. (“Silver Lake Technology Management”); (ii) Silver Lake Management Company II, L.L.C., Silver Lake Management Company III, L.L.C., and Silver Lake Management Company IV, L.L.C. (collectively, “Silver Lake Partners”); (iii) Silver Lake Management Company Sumeru, L.L.C. (“Silver Lake Sumeru”); (iv) Silver Lake Kraftwerk Management Company, L.L.C. (“Silver Lake Kraftwerk”); and (v) Silver Lake Waterman Management Company, L.L.C. (“Silver Lake Waterman”); including (where the context permits) their general partners and affiliates that manage investments for, provide advisory services to, and/or receive Advisory Fees from the Funds (as defined below) (collectively the “Advisers”). Such affiliates are controlled by, or under common control with, Silver Lake Technology Management, but possess a substantial identity of personnel and/or equity owners with Silver Lake Technology Management. Such affiliates are formed for tax, regulatory, or other purposes in connection with the organization of the Funds (as defined below).

The Adviser provides investment management and/or investment supervisory services to investment vehicles (the “Main Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Adviser from time to time establishes certain investment vehicles (herein referred to as “Employee Co-Investment Vehicles,” and collectively with the Main Funds, as “Funds” and each individually as a “Fund”) through which certain current and former employees, members, officers, senior and special advisors, business relationships, and independent contractors of the Adviser and/or their family members, officers and employees of the Adviser’s affiliates and/or their family members, certain business relationships, certain investors in the Main Funds, or other persons close to the firm invest alongside one or more Main Funds in one or more investment opportunities. Such vehicles generally are contractually required, as a condition of investment, to purchase and exit their investments in each investment opportunity at substantially the same time, and on substantially the same terms, as the applicable Main Fund that is invested in that investment opportunity.

The Adviser operates its business across four segments, consisting of:

- (i) *Silver Lake Partners*, which primarily focuses on private investments in large scale companies within the technology, technology-enabled, and related growth industries, using a broad variety of investment types and transaction structures.
- (ii) *Silver Lake Sumeru*, which primarily focuses on private investments in middle-market companies within the technology, technology-enabled, and related growth industries using a broad variety of investment types and transaction structures. Silver Lake Sumeru Fund, L.P. (the “SLS Fund”) is not making any new investments other than follow-on investments, and Silver Lake Sumeru is in the process of finding liquidity for its existing investments.
- (iii) *Silver Lake Kraftwerk*, which primarily focuses on providing growth equity capital to business innovators in the energy and resource sectors.

- (iv) *Silver Lake Waterman*, which primarily focuses on the origination of loans to later-stage private companies in the technology, technology-enabled, and other growth industries.

The Adviser's investment management and/or investment supervisory services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating, and making investments on behalf of the Funds, managing and monitoring the performance of such investments, and disposing of such investments. The Adviser serves as the investment adviser or sub-adviser to the Funds in order to provide such services.

The Adviser provides investment management and/or investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund (the "Organizational Documents"), separate investment management agreements (each such investment management agreement, an "Advisory Agreement"), and/or side letters with investors (collectively, the "Governing Documents").

Investment advice is provided directly to the Funds, and not individually to the investors in the Funds. Investment restrictions for the Funds, if any, are generally established in the Governing Documents or offering documents of the applicable Fund.

Silver Lake Technology Management is indirectly owned by certain members of its senior management as well as the California Public Employees' Retirement System ("CalPERS"). Each of Silver Lake Partners and Silver Lake Kraftwerk, is a wholly owned subsidiary of Silver Lake Technology Management, and Silver Lake Technology Management is engaged as a sub-adviser by each. Silver Lake Waterman is wholly owned through an intermediate entity by Silver Lake Technology Management and Shawn O'Neill and Rick Stubblefield, Managing Directors of Silver Lake Waterman, and Silver Lake Technology Management is engaged as a sub-adviser by Silver Lake Waterman. Silver Lake Sumeru is owned by Silver Lake Technology Management and Ajay Shah, Group Head and Managing Director of Silver Lake Sumeru, and Silver Lake Technology Management is engaged as sub-adviser by Silver Lake Sumeru. Silver Lake Technology Management has been in business since 1999; Silver Lake Management Company II, L.L.C. (formerly known as Silver Lake Management Company, L.L.C.) since 2003; Silver Lake Management Company III, L.L.C. since 2006; Silver Lake Management Company IV, L.L.C. since 2012; Silver Lake Management Company Sumeru, L.L.C. since 2007; Silver Lake Kraftwerk Management Company, L.L.C. since 2010; and Silver Lake Waterman Management Company, L.L.C. since 2012. As of December 31, 2015, the Adviser manages approximately \$24 billion of client assets, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

The Adviser or its affiliates generally receive Advisory Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. A Fund and/or its portfolio companies has in the past and may also in the future make other payments to the Adviser or its affiliates for services provided to the portfolio companies. While such payments are in addition to the Advisory Fees, the Adviser will (except as described below) share these amounts with investors through a reduction in the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such amounts. This sharing arrangement benefits investors by reducing the amount of Advisory Fees to be paid to the Adviser by a pre-established sharing percentage that was negotiated between the Adviser and its investors.

Additionally, consistent with the Governing Documents of a Fund, the Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

### **Advisory Fees**

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund (except for Employee Co-Investment Vehicles) an advisory fee (each, an “Advisory Fee”) typically calculated based on committed capital or remaining invested capital, with respect to such Fund. Advisory Fees paid by a Fund have in the past and may also in the future be reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Fund’s activities and investments, or by certain organizational or other expenses borne by such Fund, as described in more detail below. Advisory Fees paid by a Fund are indirectly borne by investors in such Fund, but such Advisory Fees are added to the cost of investment prior to any Carried Interest (as defined below in Item 6) taken by the Adviser.

Advisory Fees charged to, and received from, the Funds are generally payable quarterly in advance. Upon termination of an Advisory Agreement, Advisory Fees that have been prepaid are generally returned on a prorated basis.

As our investors are aware, the precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser through negotiations with investors in the applicable Fund, and are set forth in such Fund’s Governing Documents. The Advisory Fees and other fees and distributions described above are generally subject to modification, waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which will typically not be disclosed to all other investors in the same Fund. Fees will often differ from one Fund to another, as well as among investors in the same Fund. The fee structures described above will be modified from time to time. In certain cases, the rate of Advisory Fees payable by an investor in a Fund will be lower based on the size of the investment in the Funds made by the investor if investment commitments meet certain size-based fee reduction qualifications. Such fee reduction arrangements, as applicable, are described in the relevant Funds’ Governing Documents.

The Employee Co-Investment Vehicles and certain investors in a Fund that are current or former employees, business relationships, or “friends and family” of the Adviser or its personnel (“Adviser Investors”) will not typically pay Advisory Fees in connection with their investment in a Fund. The Adviser, in certain instances and in its discretion, has in the past and will in the future lend money to investors in the Employee Co-Investment Vehicles to make certain investments.

The Advisory Fees paid by a Fund will generally be reduced by a percentage of: (1) the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, (2) expenses incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund’s

Governing Documents and/or (3) certain Other Fees (as defined below) received by the Adviser or its affiliates. The amount and manner of any such reduction, if any, is set forth in the Governing Documents of the applicable Fund. To the extent a reduction relates to more than one Fund, the Adviser shall allocate the resulting Advisory Fee reduction among the applicable Fund(s) in accordance with the terms and provisions of the Organizational Documents of such Fund(s). Any such reduction of a Fund's Advisory Fees will be limited to the extent of such Fund's proportionate interest in any such portfolio company. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

## **Other Fees**

### *Fees Payable by Portfolio Companies*

#### Transaction Fees

As our investors are aware, the Adviser and its affiliates perform transaction-related, financial advisory and other services for, and in many instances will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with structuring investments in portfolio companies and similar transactions with respect to such portfolio companies (such fees, "Transaction Fees"). Transaction Fees are often calculated as a percentage of the total enterprise valuation of the transaction, which is generally the aggregate amount of funds raised (including invested capital, rolled-over equity and debt assumed or financed by a Fund and/or the portfolio company and its subsidiaries and affiliates).

#### Monitoring Fees

As our investors are also aware, the Adviser and its affiliates may also receive "Monitoring Fees" pursuant to agreements with portfolio companies of the Funds governing the advice, consultation, operational enhancements and other similar ongoing services provided by the Adviser to such portfolio companies. As discussed above, these fees are shared with our investors, with the investors receiving the majority of the economic benefit of these fees due to a pre-established sharing percentage negotiated between the Adviser and its investors. The terms of a typical monitoring agreement may include (among other things) annual or other automatic renewals, the payment of Monitoring Fees (which may be fixed fees or calculated as a percentage of EBIDTA or similar performance metric), and, as our investors are aware, the acceleration of payment of the Monitoring Fees following certain milestones, such as an initial public offering, interim liquidity or realization event, sale or other strategic exit. In that case, the lump-sum termination fee has been in the past and is likely in the future to be calculated as the present value of hypothetical foregone future payments (which in some cases exceed ten years, are subject to automatic extensions and renewal, extend past the term of a Fund, and/or may be based on an assumed growth in EBITDA or another metric used to calculate the fee). Such present value has been in the past and is likely in the future to be calculated using a discount rate as low as the risk-free rate, as determined by the Adviser. Since such agreements will often have prolonged terms, the financial effect of such acceleration has been in the past and is likely in the future to be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company.

To mitigate the potential effect of an accelerated Monitoring Fee, the Adviser has adopted a policy prohibiting it from accepting any accelerated Monitoring Fee unless it determines either that (1) accepting the accelerated fee is economically beneficial to investors in the Fund, taking into consideration the total amount of Advisory Fees that are currently and are likely in the future to be available for offset, or (2) the Adviser provides an offset to the Fund equal to the potential cost to investors of accepting the accelerated Monitoring Fee, such that investors would be no worse off by the acceptance of such accelerated fee, and any such offset is disclosed to investors of the Fund.

### Additional Other Fees

As our investors are aware, in addition, the Adviser and its affiliates will often receive fees in connection with serving on the board of directors of a portfolio company (“Director’s Fees”) and in connection with an unconsummated transaction (“Break-Up Fees” and, together with Transaction Fees, Monitoring Fees and Director’s Fees the “Other Fees”). The amount and timing of Other Fees received by the Adviser are generally specified in the agreement or other documentation governing the transaction.

### Calculation of Other Fees

Other Fees for the services described above are often established upon the initial consummation of an investment. Generally under the terms of the applicable Organizational Documents, for purposes of calculating any Management Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such Fees. Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. Although Other Fees are in addition to the Advisory Fees, the Adviser will, except as detailed below, share these fees with investors through a reduction in the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such fees (except with respect to Employee Co-Investment Vehicles, which do not pay Advisory Fees). The amount and manner of such reduction, which is set forth in the Governing Documents of the applicable Fund, will involve applying a significant portion of Other Fees as a credit to benefit investors, typically expressed as a reduction to Advisory Fees to be paid to the Adviser. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

### Conflicts Relating to Payment of Other Fees

The payment of Other Fees by portfolio companies will in some, but not all, circumstances create a conflict of interest between the Adviser and its affiliates on the one hand, and the Funds and their investors on the other hand, because the amounts of these Other Fees and reimbursements (see “*Expense Reimbursements*” below) are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. In many cases with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest will, in certain circumstances but not all circumstances, exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company. The



Adviser determines the amount of these fees for the services provided and reimbursements in its own discretion (and not necessarily on an arms-length basis), subject to agreements with sellers, buyers, and management teams, the board of directors of, or lenders to, portfolio companies, and/or third party co-investors in the transactions. The amount of such fees and reimbursements will not necessarily (except in connection with the reductions described above) be disclosed to investors in the Funds.

#### Payment of Stock as Other Fees

In the event that the Adviser or one or more of its managing partners or employees, on behalf of the Adviser, receives stock of a portfolio company as an Other Fee due to service of a managing director or employee of the Adviser on the board of such portfolio company, once the Other Fees are run through the offset and limited partners are given their share of the then value in accordance with a Fund's Governing Documents, the Adviser or the recipient of stock may act in its own interest and may determine to sell or hold on to the distributed securities for such time as it shall determine, which creates a conflict of interest between the Adviser or its managing partners or employees, on the one hand, and a Fund.

#### *Payments Made to Third Parties*

As our investors are aware, from time to time, the Adviser and its affiliates also engage and retain senior or special advisors, advisors, consultants, and other similar professionals who are independent industry executives and not employees or affiliates of the Adviser and who receive payments from the Funds and/or from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such fees or other compensation earned by such persons will be retained by them and will not be deemed to be earned by the Adviser and its affiliates. Such amounts will not be subject to the sharing arrangements described above and will not benefit the Fund or its investors. For a discussion of the material conflicts of interest created by the engagement of such persons, please see "*Providers of Operations Support*" in Item 11 below.

#### *Expense Reimbursement*

As our investors are aware, a portfolio company will often reimburse the Adviser for expenses (including, without limitation, travel expenses, which often will include expenses for chartered or first-class travel and meals and entertainment expenses, indemnification expenses, certain legal expenses and similar out-of-pocket expenses and, in the case of certain of the Funds, compensation expenses relating to time spent by member(s) of the Value Creation Team (described below) effecting operational improvements) incurred by the Adviser in connection with its performance of services for such portfolio company, and such reimbursements are not generally included in the definition of "Other Fees" under the terms of the applicable Organizational Documents and typically will not be subject to sharing arrangements described above. For a discussion of material conflicts of interest created by the allocation and receipt of such expenses and reimbursements, please see Item 11 below.

#### Expenses

##### *Adviser Expenses*

To the extent provided in the Governing Documents, the Adviser will pay out of Advisory Fees all costs and expenses associated with the performance of its services under the Advisory Agreement except costs and expenses designated in the Governing Documents as expenses to be borne by the relevant Fund.

### *Fund Expenses*

Over the life of a Fund, aggregate expenses to be borne by that Fund (and as a result the investors) are usually substantial and will reduce returns to investors. All costs and expenses of operating a Fund will be borne thereby. As our investors are aware, consistent with the Organizational Documents of the Funds, such costs and expenses generally include all fees, costs, and expenses directly related to the investigating, purchase, monitoring, and sale of securities, expenses of custodians, legal counsel, accountants, administrators, tax advisors, consultants (including, but not limited to, consulting fees for senior or special advisors, advisors, and other similar professionals incurred by a Fund for the benefit of its portfolio company), brokers, agents, valuation firms, and other advisors and professionals, information technology expenses, including licensing and maintenance fees, and payments made to consultants and expenses related to research or to the provision of investment activity related market data and reporting. Such costs and expenses generally will also include travel (including private charter, first class, and/or business class airfare, lodging, ground transportation, and travel meals), any insurance, indemnity, or litigation expense (including, without limitation, settlements of claims (whether involving alleged wrongdoing or otherwise) involving investment or other activities of a Fund), or the costs and expenses of any lenders, investment banks, and other financing sources. Such costs and expenses generally will also include out-of-pocket expenses incurred in connection with a Fund's legal (which includes expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions), administrative, and regulatory compliance with U.S. federal, state, local, non-U.S., or other laws and regulations (including without limitation, expenses and other charges allocated or relating to such Fund's activities (including the preparation and filing of Form PF (for some Funds) and other regulatory filings of the Adviser and its affiliates relating to such Fund's activities, including the preparation and filing of any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to "FATCA" and Report of Foreign Bank and Financial Accounts)), some expenses related to annual meetings of investors (for some Funds), limited partner advisory committee meetings, and investor reporting and any taxes, fees or other governmental charges levied against the Fund.

A Fund typically reimburses the Adviser for expenses related to the organization and marketing (including related travel and lodging expenses) of the Fund, as well as the expenses related to transactions which are not consummated, and such reimbursements are not subject to the sharing arrangements described above unless they exceed a limit specified in such Fund's Governing Documents, if any. The costs and expenses in connection with investigating and monitoring prospective or actual transactions are usually substantial and may include, without limitation, research expenses, travel expenses (including private charter, first class, and/or business class airfare, lodging, ground transportation, and travel meals), and other expenses such as business meals. In addition, a Fund will be responsible for all fees and expenses due for any legal, financial, accounting, valuation services, consulting, or other third party advisors or any lenders, investment banks, and other financing sources in connection with transactions that are not

consummated and that the Adviser does not elect to pay. Out-of-pocket expenses associated with completed transactions generally will be reimbursed by portfolio companies, capitalized as part of the acquisition price of the transaction or reimbursed by the relevant Fund.

From time to time, the general partner of a Fund may create certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (“SPVs”). In the event a general partner creates an SPV, consistent with the Organizational Documents of the Fund, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV.

#### *Co-Investment Vehicle Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors alongside the Fund may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making of an investment.

As our investors are aware, however if a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (“Broken Deal Costs”) would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction, absent a specific agreement to the contrary with a prospective co-investor. Similarly, co-investment vehicles are not typically allocated any share of Break-Up Fees paid or received in connection with such an unconsummated transaction. As a general matter, no co-investor will bear Broken Deal Costs or Break-Up Fees until they are contractually committed to do so, which often is only once they are committed to invest in the prospective investment.

Furthermore, the Employee Co-Investment Vehicles will typically not be allocated any share of Broken Deal Costs incurred in connection with a proposed but not consummated transaction, and are not typically allocated any share of Break-Up Fees paid or received in connection with such an unconsummated transaction.

#### *Allocation of Expenses*

The Adviser will allocate fees and expenses incurred in connection with the offering and management of a Fund between the Adviser and the Fund in accordance with the Fund’s Governing Documents, and to the extent not addressed in the Fund’s Governing Documents, in the Adviser’s sole discretion, in each case using good faith and its best judgment.

The appropriate allocation between Funds, Adviser Investors and Third Parties (as defined below) of expenses and fees generated in the course of evaluating potential investments that are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals will be determined by the Adviser and its affiliates in each case in

accordance with the Fund's Governing Documents, and to the extent not addressed in the Fund's Governing Documents, in the Adviser's sole discretion, in each case using good faith and its best judgment.

To the extent not allocated to a portfolio company, the Adviser will allocate fees and expenses incurred in the course of evaluation and making investments that are consummated between the applicable Fund(s) investing in (or proposing to invest in) such portfolio company. The Adviser will allocate fees and expenses to be borne by the Funds in accordance with the Fund's Governing Documents or to the extent not addressed in such documents or agreements in its sole discretion, in each case using good faith and its best judgment. In making allocations of fees and expenses related to investment opportunities, the Adviser generally shall adhere to the following procedures:

- The Adviser will allocate expenses across Funds based on each Fund's *pro rata* participation in an investment opportunity (or anticipated participation for any transaction that is not consummated), subject to any applicable Fund restrictions.
- The Adviser will track and allocate fees and expenses associated with each investment opportunity (by use of deal codes or other appropriate methods).

In exercising its good faith and best judgment to allocate fees and expenses, the Adviser is faced with a variety of potential conflicts of interest. For example, a conflict of interest could arise in the Adviser's determination whether certain costs or expenses that are incurred in connection with the operation of a Fund meet the definition of partnership operational expenses for which such Fund is responsible, or whether such expenses should be borne by the Adviser. In addition, determinations made by the Adviser in this regard could later be determined by the Adviser after a subsequent review of allocations to be inaccurate, in which case the Adviser will undertake measures to correct such circumstance, including without limitation a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by the Adviser to be the most appropriate corrective measure.

### **Carried Interest Payments**

Please see Item 6 below regarding "Carried Interest" that Funds may pay.

### **Brokerage Fees**

To the extent the Adviser utilizes the services of broker-dealers to effect portfolio transactions for a Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

With respect to each Fund (except for Employee Co-Investment Vehicles and certain other co-investment vehicles), a portion of the profits, if any, of each such Fund generally is distributed to the Adviser as "carried interest" (the "Carried Interest"), pursuant to such Fund's Governing Documents.

The payment by some, but not all, Funds of Carried Interest, or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund), may create an incentive for the Adviser to disproportionately allocate time, services, or functions to Funds paying Carried Interest (or Funds paying Carried Interest at a higher rate), or allocate investment opportunities to such Funds. Generally, and except as otherwise set forth in the Governing Documents, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds; (ii) independent investment teams for each of Silver Lake Partners, Silver Lake Sumeru, Silver Lake Kraftwerk and Silver Lake Waterman; (iii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously; and/or (iv) contractual provisions and procedures setting forth investment allocation requirements. Additionally, the Adviser will devote such time as necessary to conduct the business affairs of each Fund in an appropriate manner. Please also see Item 11 below for additional information relating to how conflicts of interests are generally addressed by the Adviser, as well as Item 12 below regarding trade aggregation.

## **Item 7. Types of Clients**

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” as defined in the 1940 Act, and include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, government owned investment companies, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies, or other entities.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments are typically established for investors in the Funds. The general partner of each Fund may, in its sole discretion, permit investments below the minimum amounts set forth in the offering documents of such Fund.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

The Adviser’s investment strategies are discussed in more detail below. The following descriptions are qualified in their entirety by reference to the Governing Documents and private placement memorandum of each Fund. Unless otherwise indicated, references below to a “Fund” or the “Funds” refer to those Funds that engage in the relevant strategy and not to all Funds generally; similarly, references to an “Adviser” refer to the Silver Lake advisory entity that engages in the relevant strategy, and not to the Adviser generally.

***Silver Lake Partners:*** The Funds of Silver Lake Partners (with approximately \$22 billion in assets under management as of December 31, 2015) primarily focus on private investments in large scale companies within the technology, technology-enabled, and related growth industries. The Adviser intends to effect this strategy using a broad variety of investment types and transaction structures, as well as a wide range of investment securities. Transactions may take

many forms, including buyouts, spinouts, strategic investments, recapitalizations, turnarounds, restructurings, strategic toehold stakes, carveouts, acquisition financing, distressed securities, and structured securities. The Funds may invest in a number of different types of securities, including common stock, preferred stock, debt, convertibles, options, warrants, and combinations thereof.

The Adviser's ideal target company has (i) an established industry position, (ii) sustainable and profitable business model, (iii) a strong management team or one that the Adviser believes it can enhance, (iv) proprietary core technologies, (v) sound business processes, (vi) opportunities for value creation, and (vii) growth prospects that enhance returns. The Funds invest in companies that the Adviser believes are important participants in a variety of critical sectors. The Funds' investments vary with respect to size and structure. The Adviser generally expects to focus on companies with enterprise values ranging from approximately \$500 million to \$20 billion or greater. The Funds generally expect to invest between approximately \$200 million and \$1 billion or more in equity per company (in one or more transactions), often supplemented by third-party debt and/or co-investor equity. The Funds occasionally invest in smaller companies, particularly where such investments possess unusually high growth opportunities and, therefore, prospects for outsized risk-adjusted returns.

***Silver Lake Sumeru:*** The SLS Fund primarily focuses on private investments in middle-market companies within the technology, technology-enabled, and related growth industries. The Adviser intends to effect this strategy using a broad variety of investment types and transaction structures, as well as a wide range of investment securities. Transactions may take many forms, including buyouts, spinouts, strategic investments, recapitalizations, turnarounds, restructurings, strategic toehold stakes, carveouts, acquisition financing, distressed securities, and structured securities. The Funds may invest in a number of different types of securities, including common stock, preferred stock, debt, convertibles, options, warrants, and combinations thereof.

The Adviser's ideal target company generally will have (i) a core advantage related to technology, brand, or vertical market expertise, (ii) a business model that can generate attractive growth and profitability, (iii) a strong management team or one that the Adviser believes it can enhance, (iv) sound business processes, (v) opportunities for value creation, and (vi) growth prospects that enhance returns. The Adviser generally expects to focus on companies with enterprise values ranging from approximately \$50 million to \$500 million, and to make investments typically of between approximately \$25 million and \$150 million in equity per company (in one or more transactions).

The SLS Fund is not making any new investments other than follow-on investments, and Silver Lake Sumeru is in the process of finding liquidity for its existing investments.

***Silver Lake Kraftwerk:*** The Silver Lake Kraftwerk Fund primarily focuses on providing growth equity capital to companies in the energy and resource sectors. Although investments will vary with respect to size and structure, the Adviser expects primarily to make minority investments in equity and equity-linked securities of between \$20 million and \$75 million.

The Adviser's ideal target company has what the Adviser considers to be (i) an innovative solution addressing a large end market, (ii) proven technology in commercial deployment, (iii) a

rapid growth trajectory, and (iv) a strong management team or one that the Adviser believes it can enhance.

***Silver Lake Waterman:*** The Adviser’s objective for Silver Lake Waterman Fund, L.P. and Silver Lake Waterman Fund II, L.P. (collectively the “Silver Lake Waterman Funds”) is to make debt investments, potentially with warrants, in later-stage private technology, technology-enabled, and other growth companies. Each of the Silver Lake Waterman Funds is a licensed small business investment company (an “SBIC”), and each also participates in a longstanding public/private partnership with the U.S. Small Business Administration (the “SBA”). Each Fund, subject to the terms of the Small Business Investment Company Program (which is administered by the SBA), has access to up to \$150 million of leverage (but collectively no more than \$225 million of leverage) at a maximum 2:1 debt to equity ratio at rates that are fixed after draw for 10 years in poolings that take place twice a year. The SBA debt may be recycled throughout the Funds’ investment period. Silver Lake Waterman has an Oversight Committee. The Oversight Committee is composed of two Managing Partners of Silver Lake Technology Management, the Group Head and Managing Director of Silver Lake Waterman, and another Managing Director of Silver Lake Waterman.

The Adviser expects the Silver Lake Waterman Funds to make debt investments of between \$5 million and \$25 million in later-stage private companies and may also make similar investments in public companies if it believes that the characteristics of the investments meet the Funds’ desired return and risk objectives.

***Investment Approach of Silver Lake Partners, Silver Lake Sumeru, Silver Lake Kraftwerk, and Silver Lake Waterman:***

The general investment strategy and approach of Silver Lake Partners, Silver Lake Sumeru, Silver Lake Kraftwerk, and Silver Lake Waterman is to (i) apply deep industry sector expertise, (ii) focus on attractive business models and/or companies with core advantages, (iii) invest in growth, (iv) conduct thorough due diligence, (v) add value to portfolio companies, and (vi) leverage the Silver Lake organization and investment platform.

***Apply Deep Industry Sector Expertise***

The Adviser believes that specialization is particularly critical within technology, since technology investing requires understanding of the associated technology, familiarity with industry-specific business models, relationships, and credibility within the sector. Moreover, technology companies regularly face crucial operating decisions relating to revenue generation, supply chain management, and technological change. When sourcing transactions, the Adviser (i) utilizes its extensive network of relationships with industry executives and advisors to generate unique and proprietary investment opportunities and (ii) employs its sector understanding and risk assessment to devise investment formats and capital structures it believes are appropriate for the company’s business plan. The Adviser structures its investments to enable investment in growth that, even if implying more conservative capital structures in certain cases, can lead to superior returns and exit alternatives. When executing transactions, the Adviser employs

deep due diligence capabilities. When managing investments, the Adviser assists technology executives with the value creation process by serving as an active investor and in many instances by deploying a Value Creation Team (described below). Finally, when realizing investments, the Adviser uses its knowledge of technology trends, competitive landscapes, and the public and private markets to determine the timing and mode of exit, including identifying potential strategic partners for portfolio companies.

#### *Focus on Attractive Business Models and/or Companies with Core Advantages*

The Adviser focuses on well-positioned companies within the technology industry. In the technology industry, market leaders often achieve better growth and profitability than less well-positioned competitors. Market leaders often are also able to sustain their businesses and grow market share during cyclical economic downturns. Moreover, leaders help to define industry standards, benefit as customers consolidate spending, and enjoy economies of scale that bolster margins and returns on equity. The Funds generally focus on market leading businesses and companies vying for leadership. A technology leader usually possesses the following characteristics: leading market share or the ability to compete for leading market share, established customer base, strong brand, sound business model, proprietary technology, sustainable revenue and cash flow, and experienced management. The Funds also evaluate investments in companies that are undergoing financial distress or operational challenges but whose underlying technologies or business models form a foundation for potential future growth or leadership. Distressed companies usually are characterized by poor financial performance, impaired credits, or non-operating issues such as legal and regulatory challenges. However, these companies sometimes have strong customer bases or differentiated offerings that can be revitalized in connection with an investment.

#### *Invest in Growth*

The Adviser seeks to invest in companies that possess not only established business models and sustainable competitive advantages, but also revenue and profit growth opportunities. The Adviser targets companies whose core businesses support “base case” private equity returns but whose embedded growth potential can generate significant upside, or persistent “alpha” that enhances exit prospects and can lead to outsized returns. The Adviser has observed that many leading technology companies, unlike many companies in other sectors, enjoy both established business and significant growth opportunities that result from sector-wide growth and dynamism. The Adviser seeks to identify companies with core business and growth prospects that are potentially undervalued by the public and private capital markets.

#### *Conduct Thorough Due Diligence*

The Adviser’s intensive due diligence process follows a methodology that includes (i) evaluating the addressable market opportunity and the ability to compete, (ii) assessing management, (iii) evaluating underlying technology and customer satisfaction, (iv) identifying value drivers, (v) creating a fully articulated bottom-up business model, and



(vi) building a “Value Creation Plan”. The Adviser’s mission is to function as a value-added partner to the management teams of technology companies competing for market leadership. Therefore, assessing the management team is a critical first step in any due diligence process. Second, the Adviser evaluates underlying technology and customer satisfaction. Third, the Adviser identifies value drivers, which are formed through a combination of company-specific due diligence investigations and the Adviser’s insights into the broader industry. Fourth, the Adviser creates a fully articulated bottom-up business model that crystallizes the business plan and translates it into projected financials and investment returns. This process also helps the Adviser to design appropriate investment formats and capital structures. Finally, in partnership with management and based on due diligence findings, the Adviser helps to formulate a Value Creation Plan for improving the business. Through its thorough due diligence capabilities, coupled with its specialized sector knowledge, the Adviser seeks to create an information advantage and “alpha” in the portfolio.

#### *Add Value to Portfolio Companies*

Supplementing the Adviser’s focus on value creation, the Adviser established an internal “Value Creation Team” that is dedicated to effecting operational improvements in its portfolio companies. The Value Creation Team is specifically focused on helping existing and future portfolio companies identify and create business improvement opportunities. A number of senior advisors and special advisors to the Adviser also complement the efforts of the Value Creation Team. These senior advisors and special advisors, while not employees, members, personnel, or affiliates of the Adviser, are independent leading professionals who have a strategic relationship with the Adviser and are available to provide valuable advice and services to the Adviser and its portfolio companies.

#### *Leverage the Silver Lake Organization and Investment Platform*

Since its inception, Silver Lake has continuously strived to improve its investment processes and its strategy. Silver Lake has also continued to strengthen and broaden its capabilities. Enhancements include: growing the number of investment and value creation professionals to approximately 100; broadening its global presence by opening offices in London, Tokyo, and Hong Kong; forming a dedicated Value Creation Team to assist portfolio companies; and significantly augmenting its professional staff in finance, legal, compliance, communications, investor relations, and other administrative functions. All Silver Lake strategies share a common philosophy: focus on growing markets where innovation creates opportunities; specialize in a complex sector and differentiate with deep domain expertise and a dedicated team; and target an underserved capital need. Many synergies exist within Silver Lake’s investment platform: improved deal flow across all Funds; expansive and deep industry expertise and insight; extensive relationships; rigorous investment processes; proven investment judgment; and the benefits from shared operations. As a result, the Funds will be able to benefit from Silver Lake’s established investment platform and market leadership.

#### Additional Notes about Silver Lake Waterman’s Investment Approach:

### *Focus on Later-Stage Growth Companies*

The Adviser believes that later-stage growth companies are attractive targets for debt investments because companies with an established core business, a track record of growth, and significant opportunities for continued expansion will find the Adviser's solution-oriented debt financing compelling, as it is both less dilutive and easier to integrate into existing capital structures than growth equity. The Adviser will specifically focus on finding companies that generally meet any combination of the following criteria, in its view: (i) demonstrated scale, typically between \$10 million to \$75 million in revenue; (ii) a path to profitability; (iii) a predictable and repeatable sales model with high levels of customer satisfaction; (iv) a well-understood and defensible market position; (v) coherent growth plans; (vi) a strong and stable management team; and (vii) an engaged board of directors. The Adviser intends to build and manage a portfolio of 30-40 companies over the life of the Funds with these types of characteristics, diversified across sectors within the technology, technology-enabled, and other growth industries.

### *Seek to Protect the Funds' Principal*

The Adviser is focused on protecting the principal of its debt instruments because debt instruments have contractual interest payments that create current income for the Funds. The Adviser intends to invest in companies with enterprise value significantly greater than the Funds' loan exposure. In general, the Adviser will seek to be covered by enterprise value that is at least two times the value of a Fund's debt instruments. Additionally, the Adviser generally will lend to companies on a secured basis where the Funds have a senior secured lien (or second lien behind a limited amount of commercial financing) against all or substantially all of the assets of a business. The Adviser intends to utilize a rigorous and thorough due diligence process to make underwriting decisions, modeled after Silver Lake's comprehensive processes. When assessing business models and management teams, the Adviser will use its extensive experience and relationships to understand not only the long-term value drivers in a business, but also the management depth, investor syndicate, and overall team stability. In assessing exit potential, the Adviser will build detailed, bottom-up models based on public and private market fundamentals and seek guidance from experienced advisors, to understand a potential portfolio company's ability to complete an initial public offering or merger and acquisition exit. The Adviser will also build a merger and acquisition "matrix" to ascertain the range and likelihood of possible acquisition outcomes, the breadth of logical acquirers, and potential valuation ranges under a variety of scenarios.

## **Risks**

### **Risks Applicable to All Funds**

*Investing in securities or other investments involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.*

*In addition, material risks relating generally to all of the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for all of the Funds, include the following:*

***Concentration of Investments in a Single Industry:*** The Funds' portfolio companies will generally be concentrated in a single industry or sector, namely technology. Concentration in a single industry involves risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. The industry in which the Funds invest is challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, services and/or improvements in existing products. The Funds' portfolio companies will compete in this volatile environment. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by competing products and services or that the portfolio companies will not be adversely affected by other challenges. Instability, fluctuation, or an overall decline within a single industry or sector will likely not be balanced by investments in other industries not so affected. In the event that such industries or sectors as a whole decline, returns to limited partners may decrease.

***Financial Market Fluctuations:*** General fluctuations in the market prices of securities and interest rates may adversely affect the value of a Fund's investments and/or increase the risks associated inherent in a Fund's investments. The ability of companies, businesses, projects or assets to refinance debt securities depends on their ability to obtain financing, including by selling new securities in the high-yield debt or bank financing markets. The precarious state of global credit markets, coupled with the global financial system generally, makes it significantly more difficult than had been in the recent past for financial sponsors to obtain favorable financing terms for its investments. The U.S. economy, coming out of the 2007 global financial crisis, experienced significant declines in employment, household wealth, and lending and the global credit markets continue to experience substantial disruption, liquidity shortages, and financial instability. Because of the unprecedented nature of these events, the ultimate impacts on global markets continue to be unpredictable and may not be immediately apparent, and may adversely affect a Fund and its investments. While the Adviser expects that the current industry environment may yield attractive investment opportunities for a Fund, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of a Fund's portfolio companies (including with respect to performing under or refinancing their existing obligations), its access to capital or leverage, its ability to effectively deploy its capital or realize investments on favorable terms or its overall performance.

A Fund's investment strategy and the availability of opportunities satisfying a Fund's risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast, or predict future events, and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by the Adviser will prove correct, and actual events and circumstances may vary significantly.

***Valuation of Assets:*** There is no actively traded market for many of the securities owned by the Funds. When estimating fair value, a methodology is applied in light of the nature, facts, and

circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values will likely differ from values that would have been determined had an active market existed for such securities and will likely differ from the prices at which such securities may ultimately be sold. The Adviser has engaged an independent third-party valuation firm to provide valuation services for the majority of the securities owned by the Funds, which the Adviser believes may mitigate any potential conflicts of interest that may arise from the fact that the performance allocation in certain Funds is calculated based, in part, on these valuations and that such valuations affect performance calculations.

***Potential Illiquidity of Fund Investments:*** The market value of the Funds' investments will fluctuate with, among other things, changes in market rates of interest, general economic conditions and economic conditions in particular industries, the condition of financial markets, and the financial condition of the issuers of the Funds' investments. In addition, the lack of an established, liquid secondary market for some of the Funds' investments may have an adverse effect on the market value of the Funds' investments and on the Funds' ability to dispose of them. Additionally, the Funds' investments may be subject to certain transfer restrictions that may also contribute to illiquidity. Therefore, no assurance can be given that, if a Fund is determined to dispose of a particular investment held by the Fund, it could dispose of such investment at the prevailing market price. Such illiquidity may adversely affect the price and timing of liquidation of the Fund's investments.

Some of a Funds' investments may consist of securities that are subject to restrictions on resale by the Fund because they were acquired in a "private placement" transaction or because the Fund is deemed to be an affiliate of the issuer of such securities. Generally, a Fund will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a Fund may be deemed to be an underwriter or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act.

***Projections:*** Projected operating results of a company on which the Advisers may, in part, base the Funds' investment normally may rely on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

***No Assurance of Investment Return:*** None of the Funds, the Advisers, and their respective affiliates can provide any assurance whatsoever that a Fund will be successful in choosing, making, and realizing investments in any particular company or portfolio of companies. There is no assurance that a Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described

herein. There can be no assurance that any limited partner will receive any distributions from a Fund. Accordingly, an investment in a Fund should only be considered by persons for whom a speculative, illiquid, and long-term investment is an appropriate component of a larger investment program and who can afford a loss of their entire investment. Past performance of investment entities associated with Silver Lake and its affiliates is not necessarily indicative of future results. There can be no assurance that a Fund will achieve its investment objectives or that performance objectives of the Fund will be achieved.

***Investments in Levered Companies:*** While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Fund's investments may involve varying degrees of leverage, as a result of which recessions, operating problems, and other general business and economic risks (as well as particular risks associated with investing in technology companies described above) may have a more pronounced effect on the profitability or survival of such companies. In addition, this leverage could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, a Fund may suffer a partial or total loss of capital invested in the portfolio company.

***Risk of Limited Number of Investments; Dependence on Performance of Certain Investments:*** The Funds may participate in a limited number of investments and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of any single investment. Moreover, since all of a Fund's investments cannot reasonably be expected to perform well, or even return capital, for the Fund to achieve above-average returns, one or a few of its investments must perform very well. There can be no assurance that this will be the case. In addition, other than as set forth in a Fund's Governing Documents, investors have no assurance as to the degree of diversification of the Fund's portfolio investments, either by geographic region or asset type. To the extent a Fund concentrates investments in a particular issuer, industry, security, or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto.

***Highly Competitive Market for Investment Opportunities:*** The activity of identifying, completing, and realizing attractive investments that fall within a Fund's investment objective is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. The Funds will be competing for investments with other private investment vehicles, as well as individuals, companies, financial institutions, and other investors. Further, over the past several years, an ever-increasing number of private equity funds have been or are being formed (and many such existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, which may also require the Funds to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Funds and adversely affecting the terms upon which investments can be made. Participation in auctions will also increase the pressure on the Fund with respect to pricing of a transaction. Moreover, the Funds will incur bid, due diligence, or other costs on investments which may not

be successful. As a result, a Fund may not recover all of its costs, which would adversely affect returns. Additionally, competition for investment opportunities from other investment vehicles has increased on a global scale. Private equity and other funds, whether located in Europe, Asia or other emerging market regions, are making global competition increasingly intense. While the Adviser has offices in certain locations outside of the U.S., there can be no assurance that such offices will provide for a local footprint that equals the resources available to funds that are headquartered in such non-U.S. jurisdictions. The addition of new non-U.S. sponsors to the market, as well as any reductions or changes in staffing or closing of any non-U.S. offices by the Adviser (possibilities for which there can be no assurance they will not occur) could intensify this effect. There can be no assurance that a Fund will be able to locate, complete, and exit investments which satisfy the Fund's investment objective, or realize upon their values, or that it will be able to invest fully its committed capital.

***Minority Investments; Investments with Third Parties:*** The Funds may invest in minority positions of companies and in companies for which the Funds have no right to appoint a director or otherwise exert significant influence or protect their position. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds.

The Funds may co-invest with third parties through joint ventures or other entities. Such investments involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In addition, the Funds may in certain circumstances be liable for the actions of their third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

***Investments Longer than Term:*** A Fund expects to make investments that may not be advantageously disposed of prior to the date that such Fund will be dissolved, either by expiration of such Fund's term or otherwise. Although the general partner of such Fund expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution as the general partner has a limited ability to extend the term of a Fund, such Fund may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of a Fund its general partner is generally required to use reasonable efforts to reduce to cash and cash equivalents such assets of such Fund as the general partner shall deem it advisable to sell, subject to obtaining fair market value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the limited partners of such Fund will occur.

***Intellectual Property:*** Companies in the technology, technology-enabled, and other growth industries are often highly dependent upon intellectual property. Accordingly, an investment in a

Fund involves a higher level of risks than an investment that is diversified across sectors that are less dependent upon intellectual property value. A Fund may be dependent upon the value of its portfolio companies' intellectual property. Portfolio companies may incur substantial costs to protect intellectual property, including litigation to enforce intellectual property rights and defend against intellectual property violation claims from other companies. Litigation would involve a high degree of uncertainty. If the portfolio companies are unable to protect the value of their intellectual property or are found to violate other companies' intellectual property rights, or incur substantial legal costs, the value of the portfolio investments could be materially impaired, and a Fund could incur losses.

***Investment in Restructurings:*** Certain Funds may make investments in restructurings that involve portfolio companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may cause a portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities, which may exceed the value of a Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to the limited partners may be reclaimed if any such payments or distributions are later determined to have been a fraudulent conveyance or a preferential payment or a similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate, or disenfranchise particular claims.

***Speculative Nature of Investments in Distressed Debt:*** The Funds may invest in distressed debt securities and instruments. Investments in distressed debt securities and instruments are inherently speculative and are subject to a high degree of risk. Companies experiencing financial distress are often those operating at a loss or with substantial variations in operating results from period to period. Companies experiencing financial distress may be involved in insolvency proceedings and have the need for substantial additional capital to support continued operations or to improve their financial condition and may have very high amounts of leverage. Distressed companies may have further inability to service their debt obligations during an economic downturn or periods of rising interest rates, may not have access to more traditional methods of financing, and may be unable to repay debt by refinancing.

The value of distressed debt securities and instruments tends to be more volatile and may have an increased price sensitivity to changing interest rates and adverse economic and business developments than other securities and instruments. Distressed debt securities and instruments are often more sensitive to company-specific developments and changes in economic conditions than other securities and instruments. Furthermore, distressed debt securities and instruments are often unsecured and may be subordinated to senior debt.

***Convertible Securities:*** The Funds may invest in convertible securities, which are bonds, debentures, notes, preferred stocks, or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period

of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted, or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics, and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third-party. Any of these actions could have an adverse effect on a Fund's ability to achieve its investment objective.

***Investments in Less Established Companies:*** The Funds may invest a portion of their assets in the securities of less established companies, or early stage companies. To the extent there is any public market for the securities held by the Funds, such securities generally are subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Oftentimes, such companies also have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Start-up enterprises usually do not have significant or any operating revenues, and any such investment should be considered highly speculative and may result in the loss of a Fund's entire investment therein. The foregoing factors also increase the difficulty of valuing such investments. In addition, there can be no assurance that any such losses will be offset by gains (if any) realized on a Fund's other investments.

***Middle-Market Companies:*** The Funds may invest in small and/or less well established companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. In addition, due to thin trading in some of those securities, an investment in those securities may be less liquid than an investment in many larger capitalization stocks. When making large sales, the Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

***Highly Volatile Instruments:*** The prices of derivative instruments, including credit default swaps, forward contracts, swaps, and options are highly volatile. Price movements of forward contracts and other derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationship, trade, fiscal monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to



time intervene directly by regulation in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Fund is also subject to the risk of failure of any exchange on which its positions trade or of their clearing houses.

***Sovereign Risk:*** The right of certain portfolio companies of a Fund to generate, produce or sell its products may be granted by or derive from approval by governmental entities and are subject to special risks, including the risk that the relevant governmental entity will exercise sovereign rights and take actions contrary to the rights of a Fund or the relevant portfolio company under the relevant agreement. There can be no assurance that the relevant governmental entity will not legislate, impose regulations, or change applicable laws or act contrary to the law in a way that would materially and adversely affect the business of any portfolio company.

***Investments in Public Companies:*** A Fund's investment portfolio may contain securities or instruments issued by publicly held companies. Such portfolio investments subject the Funds to risks that differ in type or degree from those involved with portfolio investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities or instruments at certain times, increased likelihood of shareholder litigation against such companies' board members, and increased costs associated with each of the aforementioned risks.

***Investments in Private Companies:*** The Funds are expected to invest in privately held companies, which increases the risk of investing in such Funds. These companies will typically be smaller in scale and less capitalized than larger, more established businesses, and therefore particularly susceptible to economic downturns. The availability of information about private companies may be limited, and to the extent it is available, it may be unreliable. In addition, privately-held companies may have higher degrees of managerial risk due to a dependence upon a smaller number of managers. For these reasons, investments in private companies involve a high degree of risk and uncertainty, and therefore may cause the Funds to incur losses.

***Additional Capital:*** The companies in which the Funds invest from time to time require additional financing to satisfy their working capital requirements or business development strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the a Fund or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including a Fund. A Fund may make additional equity and/or debt investments or exercise warrants, options, or convertible securities that were acquired in the initial investment in such a portfolio company in order to preserve its proportionate ownership when a subsequent financing is planned, or to protect its investment when such portfolio company's performance does not meet expectations. To the extent a portfolio company receives additional funding in subsequent financings and such Fund(s) does not participate in such additional financing rounds, the equity interests of such Fund(s) in such portfolio company will be diluted. The availability

of capital is generally a function of market conditions that are beyond the control of a Fund or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. Accordingly, it is possible that one or more of the portfolio companies of the Funds will be unable to raise additional financing, resulting in a loss for such Fund and a negative impact on returns to limited partners of such Fund.

***Non-U.S. Investments:*** Certain Funds invest, or are expected to invest, a portion of their aggregate capital commitments outside of the U.S. Non-U.S. securities involve certain risk factors not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which a Fund's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, and the possibility of expropriation or confiscatory taxation; (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; and (v) less developed corporate laws regarding creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors. Additionally, political and social instability in the country in which a Fund invests could adversely affect such Fund's investments in such countries. Such instability could result from, among other things, popular unrest associated with demands for improved political, economic, and social conditions and popular unrest in opposition to government policies that facilitate direct foreign investment. Governments of certain of these countries have exercised and continue to exercise substantial influence over many aspects of the private sector. A Fund generally does not intend to obtain political risk insurance. Accordingly, government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the return from investments. Exchange control regulations, expropriation, confiscatory taxation, nationalization, restrictions on repatriation of capital, renunciation of foreign debt, political, economic or social instability, or other economic or political developments could adversely affect the assets of a Fund held in a particular country.

***Currency and Exchange Rate Risks:*** A portion of the Funds' portfolio investments, and the income received by the Funds with respect to such portfolio investments, are denominated in currencies other than U.S. dollars. However, the books of the Funds will be maintained, and contributions to and distributions from the Funds generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of portfolio investments and the amounts of distributions, if any, to be made by the Funds. In addition, the Funds will incur costs and execution risk when converting portfolio investment proceeds from one currency to another. From time to time, the Adviser enters into hedging transactions designed to reduce such currency risks, but it does not expect to eliminate the Funds' exposure to exchange rate fluctuations.

***Hedging; Derivative Instruments:*** From time to time, the Funds directly or indirectly use various derivative instruments for hedging purposes. While the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Funds than if they had not entered into such hedging transactions. The Funds also may use derivative instruments to approximate or achieve the economic equivalent of an otherwise permitted portfolio investment (as if the Fund directly invested in the securities, loans, or claims of the subject portfolio company) or if such instruments are related to an otherwise permitted portfolio investment. Use of derivative instruments presents various risks. For example, when used for hedging or synthetic investment purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged or tracked prevents the Funds from achieving the intended hedging effect or expose the Funds to the risk of loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which a Fund may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Fund to the potential of greater losses. Derivative instruments that may be purchased or sold by the Funds may include instruments not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment are not available in connection with such transactions. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. In general, the risk of nonperformance by the counterparty on such an instrument is greater and the ease with which the Funds can dispose of or enter into closing transactions with respect to such an instrument is less than in the case of an exchange traded instrument. The stability and liquidity of derivative investments depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, the Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs that could result in a loss to the Funds. Furthermore, there is a risk that any of such counterparties could become insolvent. Also, it should be noted that in purchasing derivative instruments, the Funds typically will not have the right to vote on matters requiring a vote of holders of the underlying investment. Moreover, derivative instruments, and the terms relating to the purchase, sale, or financing thereof, are also typically governed by complex legal agreements. As a result, there is a higher risk of dispute over interpretation or enforceability of the agreements. It should also be noted that the regulation of derivatives is evolving in the U.S. and in other jurisdictions and is expected to increase, which could impact the Funds’ ability to transact in such instruments and the liquidity of such instruments.

The Funds may take advantage of investment opportunities with respect to derivative instruments that are neither presently contemplated nor currently available, but which may be developed in the future, to the extent such opportunities are both consistent with the Funds’ respective investment objectives and legally permissible. Any such investments may expose the Funds to unique and presently indeterminate risks, the impact of which may not be capable of

determination until such instruments are developed and/or the Adviser determines to make such an investment.

***Investments in Bridge Financings:*** From time to time, the Funds may lend to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments would remain outstanding. In such event, the interest rate on such loans or the terms of such interim investments would not adequately reflect the risk associated with the position taken by a Fund.

***Leverage:*** The Funds intend to utilize leverage directly and indirectly. The use of leverage will increase the volatility of a Fund. While the use of borrowed funds will increase returns if a Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage will decrease returns if a Fund fails to earn as much on such incremental investments as it pays for such funds or magnify a loss in the event the investment does not succeed as anticipated. The effect of leverage may therefore result in a greater decrease in the net asset value of a Fund than if the Fund were not so leveraged.

In certain situations, more than one investment purchased by a Fund with the use of leverage may be held with the same bank, custodian or dealer. In such instances, these multiple leveraged investments may be linked and used to "cross-collateralize" the borrowings of the Fund. Because such investments may be "cross-collateralized", a Fund could experience concurrent liquidation on multiple investments to satisfy its borrowing obligations.

***General Economic and Market Conditions:*** The technology sector generally and the success of the Funds' investment activities in particular will both be affected by general economic and market conditions, as well as by changes in applicable laws, trade barriers, currency exchange controls, and national and international political and socioeconomic circumstances in respect of the countries in which the Funds may invest. These factors affect the level and volatility of securities prices and the liquidity of the Funds' portfolio investments, which could impair the Funds' profitability or result in losses. In addition, general fluctuations in the market prices of securities and interest rates affect the Funds' investment opportunities and the value of the Funds' portfolio investments. The Adviser's financial condition may be adversely affected by a significant economic downturn, and it is subject to legal, regulatory, reputational, and other unforeseen risks that could have a material adverse effect on the Adviser's businesses and operations (including those of the Funds). A sustained downturn in the U.S. or global economy (or any particular segment thereof) will have a pronounced impact on the Funds and could adversely affect the Funds' profitability, impede the ability of the Funds' portfolio companies to perform under or refinance their existing obligations, and impair the Funds' ability to effectively deploy its capital or realize upon portfolio investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

**Capital Calls:** Capital calls will be issued by the general partner of each Fund from time to time in the discretion of such general partner, based upon its assessment of the needs and opportunities of such Fund. To satisfy such capital calls, investors may need to maintain a substantial portion of their capital commitment in assets that can be readily converted to cash. Except as specifically set forth in the Governing Documents, each limited partner's obligation to satisfy capital calls will be unconditional. A limited partner's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of the Fund or upon any assessment thereof provided by the general partner thereof. While the Adviser follows the standardized Capital Call and Distribution Notices template adopted by the Institutional Limited Partners Association, capital call notices may not provide all of the information an investor desires in a particular circumstance, and such information may not be made available and will not be a condition precedent for a limited partner to meet its funding obligation. Additionally, and notwithstanding the foregoing, the general partner will not be obligated to call 100% of the limited partner's capital commitment during a Fund's term. Even if a capital call is issued, in the event that the general partner determines that a proposed portfolio investment will not be consummated or that capital contributions are not applied to a portfolio investment for any reason after a period of time as set forth in the Organizational Documents, the general partner will refund to the partners the unapplied amounts without interest. The fees, costs and expenses incurred by a limited partner in order to meet capital calls (whether it is bank fees, wire fees, value-added tax or other applicable charge imposed on a limited partner) will be borne solely by such limited partner.

**U.S. Dollar Denomination of Interests:** The Funds' interests are denominated in U.S. dollars. Investors subscribing for the interests in any country in which U.S. dollars are not the local currency should note that changes in the rate of exchange between the U.S. dollar and such currency may have an adverse effect on the value, price, or income of the investment to such investors. In addition, rapid changes in inflation could have a material adverse effect on the performance of the Funds. The fees, costs and expenses incurred by an investor in converting its local currency to U.S. dollars (if applicable) in order to meet capital calls will be borne solely by such investor and will be in addition to the amounts required by such capital calls (and will not be part of or otherwise reduce such investor's unpaid capital commitment).

**Failure to Make Capital Contributions:** If a limited partner of a Fund fails to pay when due installments of its commitment to such Fund, and the contributions made by non-defaulting limited partners and borrowings by such Fund are inadequate to cover the defaulted capital contribution, such Fund may be unable to pay its obligations when due. As a result, such Fund may be subjected to significant penalties that could materially adversely affect the returns to the limited partners (including non-defaulting limited partners). If a limited partner defaults, it will be subject to various penalties as provided in the Governing Documents, including, without limitation, forfeiture of a portion of its interest in the Fund.

**Dilution from Subsequent Closings:** To the extent that investors subscribing for interests at subsequent closings of a Fund participate in existing investments of such Fund, it will dilute the interest of existing investors therein. Although such investors subscribing for interests at subsequent closings will contribute their pro rata share of previously made capital calls (plus an additional amount thereon), there can be no assurance that this payment will reflect the fair

market value of the Fund's existing investments at the time such additional limited partners subscribe for interests.

***Distributions In-Kind:*** During the term of a Fund, the general partner may make in-kind distributions of marketable securities. In certain circumstances, the general partner may offer the limited partners of a Fund the election to receive an in-kind distribution of marketable securities in lieu of receiving cash, and there may be conditions associated with such a choice that renders certain limited partners unavailable to make such election. In addition, it is possible that not all portfolio investments will be realized by the end of a Fund's term. In such cases, in the general partner's sole and absolute discretion, there may be in-kind distributions by such Fund of illiquid securities or instruments. There can be no assurance that investors will be able to dispose of such securities or instruments or that the fair market value of such securities or instruments determined by the Funds for purposes of the determination of distributions and the calculation of the Carried Interest ultimately will be realized. In addition, if a Fund receives distributions in-kind from any portfolio investments, it may incur additional costs and risks in connection with the disposition of such assets.

***Recycling; Reinvestment:*** The general partner of a Fund typically has the right to recall, retain, reinvest or recycle the proceeds of any portfolio investment that is realized or disposed of within a certain period of time. Accordingly, during the term of a Fund, an investor may be required to make capital contributions in excess of its capital commitment. In addition, such reinvestment limits early distributions to investors, and to the extent such retained amounts are reinvested in portfolio investments, an investor will remain subject to investment and other risks associated with such portfolio investments. As a result, reinvestment increases the risk of investing in the Fund.

***Legal, Tax, and Regulatory Risks:*** Legal, tax, and regulatory changes could occur during the term of a Fund and adversely affect the Fund, its portfolio companies, or partners. For example, from time to time, the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. The Funds intend to invest in portfolio companies that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination, and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, portfolio companies that are subject to regulation. Failure to comply with any of these laws, rules, and regulations, some of which are subject to interpretation and/or are subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which could have material adverse effects. Additionally, foreign investment in securities of companies in certain of the countries in which the Funds invest or may invest is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy and increase the costs and expenses of a Fund. While regulation of investment has liberalized in recent years throughout much of the world, there can be no assurance that more restrictive regulations will not be adopted in the future. Some countries require governmental approval for the repatriation of investment income, capital, or the proceeds of sales by foreign investors and foreign currency.

The Funds could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities or instruments held by the Funds, and income on such securities or instruments or gains from the disposition of such securities or instruments could be subject to withholding taxes or other taxes imposed by certain countries where the Funds invest or in other jurisdictions.

***Litigation:*** In connection with ordinary course investing activities, the Advisers, the Funds and their respective affiliates as well as portfolio companies of the Funds are and may become involved in litigation either as a plaintiff or a defendant. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Funds. Any such litigation could be prolonged and expensive. In addition, it is by no means unusual for participants in reorganizations to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments generally would be borne by the Funds and would reduce net assets or could require limited partners thereof to return to the Funds distributed capital and earnings.

***Indemnification:*** The Funds will be required to indemnify the Advisers, their respective affiliates, and their respective officers, employees, directors, agents, stockholders, members, and partners, and any other person who serves at the request of the Advisers on behalf of the Funds as an officer, director, partner, employee, or agent of any other entities, and any member of the advisory committee for liabilities incurred in connection with the affairs of the Funds. Additionally, such parties may be entitled to exculpation by the Funds. Such liabilities may be material and may have a material adverse effect on the returns to the limited partners of the Funds. The indemnification obligation of the Funds would be payable from the assets of the Funds, including the unfunded commitments of the limited partners thereof. If the assets of the Funds are insufficient, the Advisers may recall distributions previously made to the limited partners, subject to certain limitations in the Governing Documents. It should be noted that the Advisers typically cause the Funds to purchase insurance for the Funds, the Advisers, and their respective employees, agents and representatives, but there can be no assurance that such insurance will cover any or all of the Funds' liabilities. In addition, the Advisers may cause the Funds to advance the costs and expenses of an indemnitee pending outcome of the particular matter (including determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person's entitlement to indemnification). As a result, there may be periods where a Fund is advancing expenses to an individual or entity with whom such Fund is not aligned or is otherwise an adverse party in a dispute. Moreover, in its capacity as general partner of a Fund, the Adviser will, notwithstanding any actual or perceived conflict of interest, be the beneficiary of any decision by it to provide indemnification (including advancement of expenses). This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification or exculpation so long as the Adviser (and/or its legal counsel) have determined that such disqualifying conduct did not occur.

***Liability for Return of Distributions:*** If a Fund is otherwise unable to meet its obligations, its limited partners will, under applicable law, be obligated to return cash distributions previously received by them if such distributions are deemed to be a return of their capital contributions or a wrongful payment to them. In addition, certain provisions in the Governing Documents will permit the general partner of a Fund to require each limited partner to return distributions made

to such limited partner, including, without limitation, for the purpose of meeting such limited partner's share of such Fund's indemnification obligations. Furthermore, with respect to any distributions from an investment that were in turn distributed to the limited partners, the general partner may require the limited partners to return such distributions to the extent any investment requires the Fund to return such distributions.

***Force Majeure Risk:*** Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism, and labor strikes. Some force majeure events may adversely affect a party's ability to perform its obligations, under a contract or otherwise, until it is able to remedy the force majeure event. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. Force majeure events that are incapable of, or costly to, cure may also have a permanent adverse effect on a portfolio company.

***Fund Expenses:*** Expenses to be borne by a Fund (and as a result the limited partners of such Fund) include all fees, costs, and expenses directly related to the purchase, monitoring, and sale of securities, expenses of custodians, counsel, accountants, administrators, tax advisors, consultants, brokers, agents, valuation firms, and other advisors and professionals, any insurance, indemnity, or litigation expense, the costs and expenses of any lenders, investment banks, and other financing sources, out-of-pocket expenses incurred in connection with the Fund's legal (which includes expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions), administrative, and regulatory compliance with U.S. federal, state, local, non-U.S., or other laws and regulations (including without limitation, expenses, and other charges allocated or relating to the Fund's activities (including the preparation and filing of Form PF and other regulatory filings of the Adviser and its affiliates relating to the Fund's activities)), and any taxes, fees, or other governmental charges levied against the Fund. In addition, a Fund will be responsible for all fees and expenses due any legal, financial, accounting, consulting, other advisors, any lenders, investment banks, and other financing sources in connection with transactions which are not consummated. The amount of these expenses will be substantial and will reduce the actual returns realized by investors on their investment in the Funds (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Funds in investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of Fund expenses ultimately called or called at any one time may exceed amounts expected or budgeted by the Adviser and/or limited partners of a Fund. While the Advisers will, except as indicated above, be responsible for their own rent, utilities and salaries of their personnel, the costs and expenses of their activities in connection with, on behalf of or otherwise related to the Funds are otherwise borne by the Funds (and by the investors therein indirectly via their interests in the Funds).

***Systems and Operational Risks:*** The Funds depend on the Adviser to develop and implement appropriate systems for the Funds' activities. The Funds rely daily on financial, accounting and



other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain financial instruments, to monitor their portfolios and capital, and to generate risk management and other reports that are critical to oversight of the Funds' activities. Certain of the Funds' and the Adviser's activities will be dependent upon systems operated by third parties, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Adviser and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Funds' operations may cause the Funds to suffer, among other things, financial loss, the disruption of their businesses, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds and the investors' investments therein.

***Cyber Security Breaches and Identity Theft:*** The Adviser, the Funds, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These information and technology systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, these systems are subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors.

Although the Adviser has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, the Funds and/or a service provider thereof would have to make a significant investment to fix or replace them. The successful penetration or circumvention of the security of these systems, or a failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's, the Funds' and/or a service provider's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system and costs associated with system repairs. Such a failure could harm the Adviser's, the Funds' and/or a service provider's reputation, subject any such entity and their respective affiliates to legal claims, compliance costs and otherwise affect their business and financial performance.

Similar types of operational and technology risks are also present for the companies in which the Funds invests, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

***Amendments; Side Letters:*** The Organizational Documents of a Fund may be amended from time to time generally with the consent of the general partner and a majority in interest of the limited partners thereof, subject to certain exceptions set forth in the Organizational Documents. The Organizational Documents set forth certain other procedures for their amendments, including provisions allowing the general partners to amend the Organizational Documents without the consent of the limited partners in certain circumstances. The Adviser has in the past entered into, and expects to enter in the future into, side letter or other similar arrangements with certain investors in the Funds providing such investors with different or preferential rights or terms, without the approval or vote of any other investors, which would have the effect of establishing rights under, altering or supplementing the terms of the Governing Documents or the subscription agreement related thereto with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Any rights established, or any terms of the Governing Documents or any subscription agreement related thereto altered or supplemented in a side letter or other similar agreement with an investor will govern solely with respect to such investor notwithstanding any other provision of the Governing Documents or any subscription agreement related thereto.

***Pay-to-Play Laws, Regulations, and Policies:*** In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Advisers or their respective employees or affiliates fail to comply with such “pay-to-play” laws, regulations or policies, such non-compliance could have an adverse effect on the Funds by, for example, providing the basis for the withdrawal of the affected government plan investor.

***Placement Agents:*** One or more parties have acted, and are expected to act, as placement agents (each, a “Placement Agent”, and together, the “Placement Agents”) for the interests in certain Funds and, in that capacity, act for the Advisers thereof and in such capacity would not act as investment advisers to potential investors in connection with the offering of the interests. Typically, the Advisers will pay each Placement Agent a placement fee that is either a fixed amount or is based upon the amount of interests committed to by investors that each such Placement Agent introduces to the Advisers. At various times, the Placement Agents may act as placement agents for other fund sponsors and funds, including unaffiliated fund sponsors and funds, which may offer interests that are similar to the interests in the Funds. Those unaffiliated sponsors may pay placement fees on terms different from the fees that the Placement Agents will receive from the Advisers in connection with the offerings of the Funds, and this difference in fees may influence the Placement Agents to introduce or not introduce potential investors to the Advisers. Furthermore, certain Placement Agents may seek to do business with and earn fees or commissions from other investment funds and their portfolio companies and affiliates of the Advisers. Examples of such business may include, without limitation: provision of financing or other investment banking services; lending or arranging credit; and provision of prime brokerage.

## Risks Applicable to Silver Lake Kraftwerk

*In addition to the risks described above, the following risks are applicable to Silver Lake Kraftwerk:*

***Investments Dependent on Commodity and Energy Prices:*** The performance of many or all of the investments of the Fund will likely depend upon prevailing prices of electricity and other commodities, such as oil, natural gas, coal, and ethanol/biodiesel, as well as other natural resources. As energy derived from traditional fossil fuels becomes more expensive, the value of clean technologies and renewable energy resources should increase as well. Conversely, if new oil or coal deposits are found, or if the cost of producing energy from these sources decreases significantly for other reasons, the demand for clean technologies and renewable energy resources will likely decrease. Commodity prices have been volatile and will likely continue to be volatile in the future. Commodity prices are subject to wide fluctuation in response to relatively minor changes in supply and demand, governmental regulation, market uncertainty, and a variety of additional factors that are beyond the control of the Adviser or the Fund. These factors include, without limitation, changes in consumer demand, weather conditions and temperature fluctuations, market uncertainty, domestic and foreign governmental regulations, the price and availability of alternative fuels, the competitive position of traditional fossil fuels as a source of energy as compared with other energy sources, refining and production capacity, the cost of production inputs for alternative fuels such as ethanol/biodiesel, political conditions in the Middle East, Africa, South America, Russia, and other oil producing regions, actions of the Organization of Petroleum Exporting Countries (“OPEC”), foreign supply of oil, the implementation of new drilling and energy harvesting initiatives, the price of foreign imports, and overall economic conditions.

Additionally, to the extent that recent technological progress in pollution control equipment for coal-fired generation plants makes it feasible for utilities to continue to operate those plants under newly mandated clean air regulations, continued use of coal in electric generation facilities will also apply downward pressure to the value of clean technologies and renewable energy resources as coal is plentiful in the U.S.

***Rapidly Evolving Market:*** The market for clean technologies and renewable energy resources is emerging and rapidly evolving, and its future success is uncertain. If alternative energy resources and technologies prove unsuitable for widespread commercial deployment, or if demand for such resources or products fails to develop sufficiently, the Fund’s portfolio companies could be unable to generate enough revenue to achieve and sustain profitability. In addition, demand for alternative energy resources and products may not develop or may develop more slowly than anticipated. Many factors will influence the widespread adoption of clean or alternative energy technologies and the demand for derivative energy products, including cost-effectiveness, the availability of governmental subsidies and other similar incentives for alternative energy producers, and the performance and reliability of alternative energy resources and technology.

***Government Support for Cleantech and Alternative Energy:*** Clean technologies and other alternative energy projects currently enjoy wide support from national, state, and local

governments and regulatory agencies designed to finance the development of clean technologies and alternative energy resources, such as the federal production tax credit, various renewable and alternative portfolio standard requirements enacted by several states, alternative energy credits, and state-level utility programs, such as system benefits charge and customer choice programs. Similar support, initiatives, and arrangements exist in non-US jurisdictions as well. The combined effect of these programs is to subsidize, in part, the development, ownership, and operation of clean technologies and alternative energy projects, particularly in an environment where the low cost of traditional fossil fuels otherwise makes the cost of producing energy from renewable sources uneconomic.

The operation and financial performance of portfolio companies involved in the development, ownership, and/or operation of clean technologies and alternative energy projects are significantly dependent on state policies and regulatory frameworks that support renewable energy sources. Some of the US states or other jurisdictions in which such portfolio companies are located have Renewable Portfolio Standards (“RPS”) requirements that support the sale of electricity generated from renewable energy sources. These RPS requirements impose renewable energy purchase obligations or targets on electric utilities and other retail energy suppliers. Electric utility suppliers may satisfy their RPS requirements by purchasing renewable energy or renewable energy credits (“RECs”) from producers of electricity generated from renewable sources. There can be no assurance that government support for renewable energy will continue, that favorable legislation will pass, or that the electricity produced by such portfolio companies will qualify for support through the RPS programs. The elimination of, or reduction in, government policies that support renewable energy could have a material adverse effect on a portfolio company’s financial condition or results of operation. Any reduction in or elimination of these programs could have an adverse effect on development of clean technologies and alternative energy projects.

***Emissions Trading and Market:*** The market for trading emissions credits and carbon allowances is rapidly expanding but remains undeveloped relative to the markets for trading other commodities. The trading of emissions credits and carbon allowances is primarily done in illiquid over-the-counter markets. The lack of liquidity and price asymmetries in the market for trading emissions credits, coupled with uncertainty surrounding the development and expansion of environmental regulations, present significant risks for the participants in such trading markets. There can be no assurance that the Fund will be able to identify investments that generate emissions credits or otherwise successfully monetize any such emissions credits once obtained.

***Energy Generation and Related Infrastructure Asset Risks, Business and Operating Risks:*** Investment in energy and related infrastructure businesses and/or assets involves several business-related risks. Portfolio company revenues can be affected by a number of factors including economic conditions, political events, competition, regulation, and the financial position and business strategy of counterparties. In addition, operating costs can be influenced by a wide range of factors, many of which are not totally under the control of the owner/operator, including the breakdown or failure of equipment or processes, labor disputes, industrial accidents, and the need to comply with the directives of central and local government authorities. Unanticipated changes in the availability or price of inputs necessary for the operation of projects

and/or assets could adversely affect the overall profitability of an investment. Events outside the control of a portfolio company, such as demographic changes, economic growth, increasing fuel prices, government macroeconomic policies, fee rates, social stability, technical obsolescence, competition from or other forms of energy, natural disasters (such as fire, floods, earthquakes, and typhoons), changes in weather, changes in demand for services, defective design or construction, bankruptcy or financial difficulty of a major counterparty, acts of war or terrorism, and other unforeseen circumstances and incidents could significantly reduce the revenues generated or significantly increase the expense of constructing, operating, maintaining, or restoring infrastructure facilities. In turn, this could impair a portfolio company's ability to repay its debt, make distributions to the Fund, or even result in termination of an applicable power purchase or other agreement. As a general matter, the operation and maintenance of energy generation and other facilities involve various risks, including labor issues, failure of technology to perform as anticipated, structural failures, and accidents. It is expected that applicable portfolio companies will maintain insurance to protect against certain risks, where available on reasonable commercial terms, such as business interruption insurance that is intended to offset loss of revenues during an operational interruption; however, such insurance is subject to customary deductibles and coverage limits, and may not be sufficient to recoup all of a portfolio company's losses. There can be no assurance that a portfolio company's insurance would cover liabilities resulting from claims relating to the design, construction, maintenance, or operation of the infrastructure facilities or other assets in which the Fund may invest, lost revenues, or increased expenses resulting from such damage. Furthermore, once energy generation and related infrastructure assets of portfolio companies become operational, they may face competition from other energy generation and related infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental plans and policies.

***Regulatory Approvals:*** The Fund invests in certain portfolio companies it believes have obtained all material federal, state, local, or non-U.S. approvals required to operate. In addition, from time to time, the consent or approval of certain regulatory authorities is required in order for the Fund to acquire or hold certain portfolio companies. The Fund's portfolio companies could be adversely affected to the extent regulations or applicable laws change or become increasingly stringent as a result of judicial or administrative interpretations with respect thereto. Moreover, additional regulatory approvals may become applicable in the future as a result of the foregoing or for other reasons. There can be no assurance that the Fund's portfolio companies will be able to obtain all required regulatory approvals or once obtained to maintain such approvals in accordance with the requirements applicable thereto. Failure or delay in obtaining any applicable regulatory approvals could adversely affect the business of the Fund and impede the Fund's ability to effectively achieve its investment objective.

***High Capital Costs:*** Energy projects, including those which focus on renewable energy sources, typically involve relatively high levels of upfront capital investment which entails a certain degree of risk. The return on investment in companies with high capital costs may not be achieved. If technologies underlying renewable energy or cleantech projects prove unsuitable for widespread commercial deployment, or if demand for such resources or products fails to develop sufficiently, the business of the Fund will be adversely affected.

***Political and Societal Challenges:*** Energy and related projects will be subject to siting requirements. For example, wind energy projects are subject to certain site controls imposed by the U.S. Federal Aviation Administration (“FAA”) and must obtain determinations of no hazard to air navigation from the FAA’s Air Traffic Airspace Branch prior to commencing, and upon completing, installation of wind turbines, since the turbines may pose hazards to air traffic due to their height. Siting of energy projects is also frequently subject to regulation by applicable state, county, and local authorities. From time to time, proposals to site a renewable or alternative energy plant are challenged by a number of parties, including special interest groups based on alleged security concerns, disturbances to natural habitats for wildlife, and adverse aesthetic impacts, including the common “not in my backyard” phenomenon. Concerns can also arise regarding some of the techniques used in the extraction of shale gas in order to enhance recovery, such as the use of natural gas hydraulic fracturing (also known as “fracking”), which usually requires governmental permits or approvals and which have recently been the subject of heightened environmental concerns and public opposition in some jurisdictions. The failure of any portfolio company to receive, renew, or maintain any required permits or approvals, or any inability to satisfy any requirement of any permits or approvals, will result in increased compliance costs, the need for additional capital expenditures, or a suspension of project operations.

***Regulatory Risk:*** Energy and related resources investments are subject to numerous federal and state energy laws and regulations, including, without limitation, the Federal Power Act (“FPA”), the Energy Policy Act of 2005, the Public Utility Holding Company Act of 2005 (“PUHCA”), and the Public Utility Regulatory Policies Act (“PURPA”). Changes in applicable energy laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures. If a portfolio company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. Federal and state energy policies, law, and regulation supporting the creation of wholesale energy markets is currently, and may continue to be, subject to challenges, modifications, and restructuring proposals, which may result in limitations on the commercial strategies available to the portfolio companies for the sale of power.

Under the FPA, the Federal Energy Regulatory Commission (“FERC”) regulates wholesale sales of electricity and the transmission of electricity in interstate commerce by “public utilities” as defined under the FPA and places constraints on the conduct of their businesses, including, among other things, rate and corporate regulation. In addition, the portfolio companies are subject to regulation by state agencies.

If certain conditions are not met, the FERC has the authority to deny, as well as later revoke or revise market-based rate authority and require sales to be made based on cost of service rates. Even where market-based rate authority has been granted, the FERC may impose various forms of market mitigation measures, including price caps, bidding rules, and operating restrictions, where it determines that potential market power might exist and that the public interest requires such potential market power to be mitigated. Failure to obtain or loss of market-based rate authority for any portfolio company could have a material adverse effect on such portfolio company’s revenues and business.

In addition, PUHCA provides, in relevant part, that any entity that owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a “public utility company” (which is defined to include an “electric utility company”) or a company that is a “holding company” of a public utility company or public utility holding company, is subject to certain regulations granting the FERC access to books and records and oversight over certain affiliate transactions. While it is expected that each portfolio company engaged in energy generation will have filed or will file a self-certification with the FERC stating that it is an exempt wholesale generator (“EWG”) and/or a “Qualifying Facility” (“QF”) under PUHCA prior to commencing operation, there is no guarantee that regulatory or other changes will not result in the loss of such EWG status or QF status or prevent other portfolio companies from obtaining such status, in which case the Fund and certain of its affiliates may become subject to regulation under PUHCA. State regulatory commissions may in some instances also have access to books and records of holding companies.

Certain portfolio companies also face regulatory risk imposed by various transmission providers and operators, including regional transmission operators and independent system operators, and their corresponding market rules. Transmission providers have FERC-approved tariffs that govern access to their transmission systems. These tariffs may contain provisions that limit access to the transmission grid or allocate scarce transmission capacity in a particular manner. Regulatory changes in a jurisdiction where a portfolio company is located may make the continued operation of such portfolio company infeasible or economically disadvantageous, and any expenditures made to date by such portfolio company may be wholly or partially written off. The locations of the portfolio companies may also be subject to government exercise of eminent domain power or similar events. Any of these changes could significantly increase the regulatory-related compliance and other expenses incurred by the portfolio companies and could significantly reduce or entirely eliminate any potential revenues generated by one or more portfolio companies, which could materially and adversely affect returns to the Fund.

***Documentation and Other Legal Risk:*** In addition to the matters described above regarding power purchase agreements, energy generation, and related resources projects are also typically governed by other complex legal agreements. As a result, there is a higher risk of dispute over interpretation or enforceability of the agreements. It is not uncommon for energy generation and related resources assets to be exposed to a variety of other legal risks including, but not limited to, legal action from special interest groups. From time to time, interest groups use legal processes to seek to impede particular projects to which they are opposed. See “Political and Societal Challenges” above.

***Interconnection and Delivery Risk:*** Portfolio companies engaged in energy production, generation, and/or transmission may deliver energy to its off-takers by interconnecting to the transmission network and may have interconnection agreements in place to do so. In order to be connected to a transmission network, a portfolio company will be required to meet certain technical specifications. If a portfolio company does not meet, or ceases to comply with, these specifications, such portfolio company will likely incur liabilities and penalties, including disconnection from the network. A portfolio company also faces the risk that its ability to deliver energy consistent with expectations could become constrained due to failure of the interconnection provider to complete any necessary system upgrades within the timeframe

contemplated. Additionally, due to the way interconnection lines are managed, the required system upgrade costs are not yet fully known and it is possible these costs could be higher than anticipated. In addition, pursuant to interconnection agreements, the transmission owners and/or operators may retain the right to interrupt or curtail transmission deliveries as required in order to maintain the reliability of the transmission network. As such, portfolio companies may face curtailment of output due to system congestion, outages, technical incidents, or other circumstances impacting transmission network operations, and transmission owners and/or operators may fail to meet contracted obligations or terminate affected contracts. Any such curtailment of output could adversely affect the revenues of a portfolio company. Transmission owners also will not usually compensate electricity generators, including portfolio companies, for lost income due to any congestion, network outages, or other technical incidents. In addition, if a portfolio company fails to meet the milestones in the interconnection process, such portfolio company may lose its position in the transmission planning queue, which would result in significant increased cost and delay.

**Rate Risk:** The Fund may invest in certain portfolio companies that derive substantially all of their revenues from wholesale or other sales of electricity or services related thereto, such as storage or grid management services. Users of the applicable service provided by a portfolio company may react negatively to any adjustments to the applicable rates, or public pressure may cause relevant government authorities to challenge such rates (or eliminate any direct or indirect subsidies supporting such rates). In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in governmental pressure on portfolio companies to reduce their rates, or to forego planned rate increases or forego direct or indirect subsidies. The Adviser cannot guarantee that governmental entities with which portfolio companies have rate agreements will not try to negotiate or require lower rates or change policies regarding subsidies. If public pressure or government action forces portfolio companies to restrict their rate increases or reduce their rates, and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, the Fund's business, financial condition, and results of operations could be materially and adversely affected.

**Environmental Risk:** National and local environmental laws and regulations affect the operations of renewable energy generation businesses. The Fund has invested and may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations, and permit requirements, and there can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. Standards are set by these laws and regulations regarding certain aspects of health and environmental quality, and they provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, joint and several obligations to remediate and rehabilitate current and former facilities and locations where operations are, or were, conducted or where materials were disposed of. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments and could create liabilities which did not exist at the time of acquisition and that could not have been foreseen. Compliance with such current or future environmental requirements does not ensure that the operations of portfolio companies will not cause injury to the environment or to people under all circumstances, or that portfolio companies will not be



required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could lead to, among other things, government fines and stop-work injunctions and could have a detrimental impact on the financial performance of a portfolio company. There can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations, and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership (such as the Fund) subject to environmental liability. However, a limited partner investor in the Fund may reduce its risk of such personal liability by avoiding activities with respect to the portfolio companies other than as specifically contemplated by the partnership agreement of such Fund.

***Operations and Maintenance Risk:*** The operations of renewable energy generation and related assets and businesses are exposed to unplanned interruptions caused by significant catastrophic events, such as the force majeure type events described above, as well as by major plant breakdown, pipeline, or electricity line rupture or other disaster. Operational disruption, as well as supply disruption, could adversely impact the cash flows available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. Moreover, any loss from such events may not be recoverable under relevant insurance policies. Business interruption insurance is not always available, or economic, to protect the business from these risks. Industrial action involving employees or third parties would disrupt the operations of resources projects. Renewable energy generation and related resources projects are exposed to the risk of accidents that could give rise to personal injury, loss of life, damage to property, disruption to service, and economic loss.

#### Risks Applicable to Silver Lake Waterman

*In addition to the risks described above, the following risks are applicable to Silver Lake Waterman:*

***Unavailability of Leverage:*** Each Silver Lake Waterman Fund is licensed as an SBIC. Being licensed as an SBIC does not automatically assure that the Funds will receive SBA debenture funding. Receipt of SBA debenture funding is dependent upon the Funds continuing to be in compliance with SBA regulations and policies and there being funding available. For example, the SBA has the right to restrict the leverage available if it determines that a Fund does not have adequate management. In the event that one or more of the principals were to cease or decrease his level of involvement in the management of a Fund, the SBA will likely restrict leverage until it determines the Fund has adequate management, which may require the addition of one or more qualified replacements acceptable to the SBA. The availability of qualified replacements with background and experience similar to that of the principals may be extremely limited, and there can be no assurance that the Funds will be able to identify one or more qualified replacements or that any replacements proposed by the Funds will be acceptable to SBA. Furthermore, the

amount of SBA debenture funding available to SBICs is dependent upon annual Congressional authorizations and in the future, may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by the Funds, thereby reducing the Funds' ability to make portfolio investments and implement its investment strategy.

***Regulation by the SBA:*** The Funds are subject to SBA regulations and policies which may change during the life of the Funds in ways that might require the Funds to alter its business activities or that may otherwise have a negative impact on the Funds. Current SBA regulations provide the SBA with certain rights and remedies if a Fund violates their terms. A key regulatory metric for the SBA is the extent of "Capital Impairment," which is the extent of realized (and, in certain circumstances, net unrealized) losses incurred by an SBIC compared with such SBIC's Regulatory Capital (as defined under SBA regulations). Interest payments, management fees, organization, and other expenses are included in determining "realized losses". SBA regulations preclude the full amount of "unrealized appreciation" from investments from being considered when calculating Capital Impairment in certain circumstances. Remedies for regulatory violations are graduated in severity depending on the seriousness of Capital Impairment or other regulatory violations. For minor regulatory infractions, warnings are often given. For serious infractions, the use of debentures may be limited or prohibited, outstanding debentures can be declared to be immediately due and payable, restrictions on distributions and making new investments may be imposed, management fees may be required to be reduced, and investors may be required to pay their unfunded capital commitments to the SBIC. In severe cases, the SBA may require the limited partners to remove a Fund's general partner or its officers, directors, managers, or partners, or the SBA may obtain appointment of a receiver for the Fund.

***Use of SBA Debenture Leverage:*** The Funds borrow money under the SBA debenture program, which increases the risk of investing in the Funds. The use of leverage magnifies the potential for both losses and gains with respect to portfolio investments. Leverage is generally considered a speculative investment technique, and there can be no assurance that the Funds will generate returns that exceed the crossover point whereby the use of leverage results in net returns to limited partners that exceed the returns generated had the Funds been unleveraged. Leverage could allow the Funds to acquire portfolio investments that in total are substantially larger than the Funds' capital commitments, thereby amplifying the effects of changes in the value of portfolio investments upon distributions and returns to the partners both negatively and positively. As a result of the commitment fees, repayment obligations, and semi-annual interest payments to which SBA debentures are entitled, the Funds' investors may realize a lower return than they otherwise would have if they had made an investment in a fund that did not use SBA leverage, and may realize no return when they would have realized a positive return if they had made an investment in such a fund. Lenders of senior securities to the Funds, including the holders of SBA debentures, will have fixed dollar claims on the Funds' assets that are senior in priority to the claims of the Funds' limited partners. SBIC regulations currently permit an SBIC to borrow up to \$150 million, or a group of SBICs under common control to borrow up to \$225 million, subject to an overall limit of two times Regulatory Capital, among other things. As a result, maximum leverage for the Funds would be achieved if the Funds' aggregate capital commitments are equal to \$112.5 million, or a 2:1 ratio of leverage to commitments. The

payments to which SBA debentures are entitled reduce or eliminate returns to the limited partners even if a Fund does not generate sufficient returns in excess of such payments. In addition, because the portfolio investments are illiquid, the Funds may be unable to dispose of them or may be required to dispose of them at a disadvantageous price in the event that the Funds need to do so to satisfy repayment obligations under the SBA debentures, and, as a result, the Funds would incur losses.

***Limits on Distributions:*** Pursuant to SBA regulations, an SBIC with outstanding debentures may distribute cumulative realized profits (less unrealized losses on investments) to its investors, but it may not return more than 2% of its Regulatory Capital to investors in any fiscal year without the SBA's prior approval. Historically, the SBA has permitted repayments in excess of 2% only pursuant to an approved "wind-up" plan filed by an SBIC pursuant to which the SBA determines that repayment of the outstanding debentures is adequately assured. These limits on distributions may result in investors in the Funds receiving "phantom income".

***Changes in Interest Rates:*** Because the Funds utilize SBA debentures to fund a significant portion of its portfolio investments, a material percentage of the Funds' returns will rely upon the spread between the cost of capital at which the Funds borrow, and the interest rates at which the Funds deploy capital. The interest rate on SBA debentures is generally fixed after draw for up to 10 years in poolings of SBA leverage that take place twice per year, while the interest rates on the portfolio investments are generally set at the time that capital is deployed, and may have both fixed and floating rate components for an expected duration to maturity of 3-5 years. Because the interest rates at which the Funds borrow will generally be fixed, while the interest rates at which the Funds deploy capital will adjust over time, the spread between these two interest rates may decline during a period of falling interest rates. A Fund may not capture the same benefit of falling interest rates for its cost of capital that the Fund may have captured had it borrowed on a floating rate basis. Furthermore, because the Funds are expected generally to borrow SBA debentures with a term of up to 10 years, while lending money to portfolio companies with an expected duration of 3-5 years, the Funds may have the opportunity to reinvest capital in additional portfolio investments in accordance with the terms of the Funds' partnership agreements. Reinvestment entails additional risks, including the risk that reinvested proceeds will have lower interest rates. As a result, a significant change in interest rates could have a material adverse effect on the Funds' returns. Additionally, in periods of rising interest rates, the interest rate on SBA debentures that have not yet been drawn down by a Fund could be fixed at higher rates than at present, potentially reducing the spread between a Fund's cost of capital and the interest rates at which the Fund deploys capital, thereby reducing the Fund's returns. Although the Adviser will attempt to maintain an attractive spread, there can be no assurance that increased costs can effectively be passed on to the portfolio companies over time.

***Restriction on Investments:*** Because the Funds are licensed as SBICs in order to access SBA debentures, the Funds are subject to SBA regulatory restrictions that materially limit the types of investments that the Funds may pursue and which places the Funds at a competitive disadvantage to other funds that are not subject to such restrictions. There can be no assurance that the potential benefits of accessing SBA debentures will outweigh the costs of complying with SBA regulatory restrictions. In particular, the Funds are limited to invest in qualified small businesses that do not exceed certain size restrictions, and also faces restrictions on how investments may be

structured and priced. As more particularly described in the U.S. Code of Federal Regulations 13 CFR §§ 101 to 121.201, the Funds may generally only invest in businesses that have both a tangible net worth of less than \$18 million and net income of less than \$6 million, although there is an alternative test based on gross revenues or number of employees tied to the predominant industry of the business. Furthermore, the Funds must invest at least 25% of its invested funds in “smaller enterprises” that have both a tangible net worth of less than \$6 million and net income of less than \$2 million or meet the alternative test. Net income tests are generally based upon the average after tax income of the prior two years. Additionally, as more particularly described in U.S. Code of Federal Regulations 13 CFR § 107.855, the Funds are subject to cost of money restrictions that generally prohibit a Fund from charging interest rates in excess of 14% per annum on debt investments with equity features, with the exception of certain fees, and 19% per annum on straight debt. The Funds are also subject to additional restrictions on the minimum duration of its debt investments and the structure of its prepayment fees, among other things. Accordingly, the scope of these restrictions may increase the risk of investing in the Funds.

***Equity Investments:*** Portfolio investments generally are composed of debt investments and they typically include a warrant or other equity or equity-linked component and, from time to time, the Funds may make direct equity investments by purchasing equity securities. In structuring each portfolio investment, the Adviser considers the relative amounts of current income and equity appreciation to pursue, the sum of which can offer varying degrees of risk and return. The interest rates and warrants that the Adviser can negotiate and structure with regard to portfolio investments, and the proportion of these components, is determined by the Adviser on a deal-by-deal basis and in accordance with circumstances and market conditions. In addition, the Funds may acquire the rights to purchase equity in the course of its business, and accordingly, the Funds may make direct equity investments in companies pursuant to these rights. These investments are determined by the general partner. Equity investments have the potential to enhance returns, but there can be no assurance that the Funds’ equity investments will be successful. Both warrants and direct equity investments may not appreciate in value and may experience losses. Direct equity investments typically involve a greater risk of loss of principal than the Funds’ core holdings of debt investments with attached equity securities or warrants. Warrants frequently have a cashless exercise option that may enable the Funds to realize a gain without incurring the risk of a material cost basis, whereas direct equity investments will always have a cost basis at risk of loss. Additionally, from time to time the Adviser may determine that it is appropriate to exercise a warrant for cash instead of using any cashless exercise option, which would entail the same risks as a direct equity investment. The Funds are subject to SBA regulations that limit the Funds’ direct equity investment activity and the maximum amount of losses or capital impairment that the Funds may incur before the SBA takes remedial action that may be contrary to the interests of the Fund and its partners. The pursuit of direct equity investments increases the risk that the Funds will be unable to service its debt, including its SBA debentures, due to the fact that direct equity investments generally do not provide significant current income. As a result, the pursuit of direct equity investments increases the risk that the Funds will incur losses. In addition, the making of direct equity investments also increases the risk that the Funds would fail to make the payments to the SBA required in connection with its use of SBA debentures, and therefore the risk that the Funds will fail to comply with SBA regulations. The performance of direct equity investments may be substantially lower than expected and therefore materially impact the Funds’ ability to generate superior risk-adjusted

returns. Equity investments are inherently more risky than debt investments, more volatile, more difficult to realize, and therefore would raise the risk of investing in the Funds for limited partners or cause the Funds to incur losses.

***Deferred Interest Income:*** Typically, the Funds' debt investments will be structured with varying interest rates that are to be paid in cash on a regular basis, although debt investments may also include a portion of interest income structured as payment in-kind or non-cash pay. As such, there may be a deferred income component in the Funds' debt investments under which interest will be accrued upon such debt investments' principal balances and due at the maturity of such debt investments. This means that a portion of a Fund's interest rate income may not be paid in cash and may not be available for distributions at the same time that it contributes to the Fund's reported returns, potentially generating a tax liability. The proportion of a Fund's interest income that is structured as deferred income will be determined by the Adviser based upon circumstances and market conditions on a deal-by-deal basis. There is less certainty in the collection of deferred interest income than there is in the regular collection of interest payments paid in cash, which may increase the risk of investing in the Funds.

***Value of Collateral:*** The Funds are dependent upon the value of a security interest in the tangible or intangible assets of its portfolio companies to mitigate credit risk and provide an additional source of repayment for the debt due to the Funds. Evaluating the potential value of the Funds' collateral involves a high degree of uncertainty, in part due to the fact that companies in the technology, technology-enabled, and other growth industries operate in a rapidly evolving marketplace in which the value of their products, services, and assets is subject to considerable fluctuation or reduction. Additionally, structuring and implementing a security interest that can effectively access collateral involves risks. If the assets securing the Funds' debt investments deteriorate in value, or if the Funds' security position is subordinated to or otherwise compromised by other interests seeking repayment from the same collateral, the Funds may not be able to recover the principal balance of its debt investments or any unpaid interest or fees, and may experience losses. These potential losses could be exacerbated by the Funds' use of leverage.

***Risk of Subordination:*** The Funds invests primarily in portfolio companies through debt investments. Some of the portfolio companies will be permitted to incur indebtedness that ranks senior to the Funds' debt investments. The terms of this indebtedness may provide that holders thereof are entitled to payments of interest or principal on or before the dates on which the Funds are entitled to receive payments in respect of its debt investments. This indebtedness may prohibit portfolio companies from paying interest or principal on a Fund's debt investments in the event of a default. In the event of default, insolvency, liquidation, or bankruptcy of a portfolio company, holders of indebtedness senior to those of a Fund will generally be entitled to full payment before the Fund receives any payment. At such time, holders of such indebtedness by means of their senior security position may exert influence over the portfolio companies that is inconsistent with a Fund's interests, including possibly effecting a restructuring that is unfavorable to the Fund's class of debt securities, and accordingly, the Fund would incur losses. Indebtedness that ranks equal in payment priority with that of a Fund, or *pari passu*, will share in proceeds on a pro-rata basis with the Fund, and accordingly, there may not be sufficient proceeds to ensure repayment of the Fund's debt, and the Fund may incur losses. Additionally, portfolio

investments that the Funds structure as secured debt investments, may be recharacterized by a bankruptcy court and subordinated to the claims of other creditors, depending upon the facts and circumstances including the degree of involvement in management or control wielded by the Funds. The Funds may also be subject to lender liability claims for actions taken by the Funds with regard to a portfolio company's business, including providing material assistance with management or exerting control, among other actions.

***Prepayment of Portfolio Investments:*** The Funds are subject to risk that the Funds' debt investments will be prepaid prior to maturity, thereby reducing the amount of interest income earned on these investments. Prepayments occur frequently at the time of liquidity events, such as public offerings or mergers and acquisitions. The investment terms upon which the Funds make investments are regulated by the SBA and typically allow for prepayments with specified penalties that reduce over time. When the Funds experience a prepayment, proceeds may be invested in temporary investments that are lower yielding than typical investments, and there may be delays in reinvesting capital. Prepayments that occur after the end of a Fund's investment period may not be reinvested, meaning that the Fund may not be able to replace the interest income lost due to the prepayment, potentially lowering the Fund's returns. Reinvestment may be at lower yields than the Funds had previously attained, or may involve higher degrees of risk of principal loss. At the same time, there are inherent risks if the Funds do not receive adequate prepayment of investments. There is significant timing uncertainty concerning prepayment of the portfolio investments. There can be no assurance that the Funds will experience prepayments in amounts or at times that are favorable, and as a result the Funds' returns and distributions could be materially impaired.

***Illiquid and Long-Term Investments:*** It is anticipated that there will be a significant period of time (up to six years or more) before the Funds will have completed making its investments in portfolio companies. The Adviser anticipates that the Funds' debt investments will often take from three to five years from the date of initial investment to reach maturity, when the principal balance of the Funds' debt investments is due and payable. Certain events, such as a prepayment, default, or a negotiated restructuring of terms, may shorten or lengthen the term of these debt investments. The Funds' warrants and direct equity investments will not generally have a contractual maturity date, and the timing of their realization, if any, is highly uncertain and unpredictable. Warrants generally expire five to ten years after their issuance. If exercised, the underlying equity securities generated by warrants may require additional time to be liquidated, the amount of which is highly uncertain. Actual time to realization may vary considerably due to the fact that the portfolio investments will generally be structured with both debt and equity components that may be realized at different times and through different mechanisms of liquidity. The Funds' debt investments will typically be structured to provide for current income to the Funds through periodic payments of interest and fees. Subject to SBA regulations on distributions, current income generated by the Funds may be able to be distributed to limited partners provided that cumulative distributions do not exceed cumulative realized earnings less unrealized depreciation on portfolio investments. However, cash flows realized by the Funds during the Funds' six-year investment periods may be reinvested into additional portfolio investments at the discretion of the general partner. In light of the foregoing, it is likely that no significant return of principal will occur until six and possibly ten or more years from the date of closing of the Funds, and distributions of interest or fees or other cash flows are subject

to the aforementioned restrictions. Often, there will be no readily available market for debt or equity and equity-linked portfolio investments. Disposition of such investments may require a lengthy time period or may result in distributions in-kind to investors. A lack of liquidity for the Funds' investments would adversely impact the Funds' ability to sell or realize any of its portfolio investments, or would prevent the Fund from doing so at a favorable price. As a result, the Funds could incur substantial losses.

The Funds' ability to realize returns on its warrants and direct equity investments will be dependent upon portfolio companies ultimately achieving a liquidity event, either through a merger or acquisition, a reorganization, or public offering of equity. To a certain extent, the Funds' debt investments also depend upon portfolio companies achieving a liquidity event, as debt investments are frequently repaid out of proceeds from a public offering or merger or acquisition. Portfolio companies will be relatively small in relation to publicly-traded companies, which reduce their ability to achieve a successful liquidity event for the Funds. In most cases, there will be no public market for the securities held by the Funds at the time of their acquisition. The Funds will generally not be able to sell a portfolio investment in the public market unless its sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, the Funds likely will be prohibited by contract or other limitation in some cases from selling a portfolio company's securities or other instruments for a period of time (*e.g.*, due to limitations on sale arising from contractual lockups, obligations to receive consent to transfer or assign interests, or rights of first offer), and as a result may not be permitted to sell a portfolio investment at a time it might otherwise desire to do so. To the extent that there is no liquid trading market for an investment, the Funds may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers for the portfolio investments will be found. Similarly, due to the nature of the underlying investments, the sale of such portfolio companies may be subject to various regulatory approvals. Furthermore, companies in the technology, technology-enabled, and other growth industries by their nature are subject to industry cyclicalities, downturns in demand, market disruptions, and the lack of available capital for potential purchasers and are therefore often difficult or time consuming to liquidate. Upon dissolution of the Funds or as otherwise provided in the Funds' partnership agreements, portfolio investments may be distributed in-kind so that limited partners may then become minority debt holders or shareholders in a number of unlisted companies (and as a consequence be unable to protect their interests effectively).

***Passive Investments; Inability to Control:*** Portfolio investments will primarily be structured as debt investments. As debt investors, the Funds do not generally expect to control the portfolio companies or to have the right to appoint a director or otherwise exert significant influence or protect its position. In the event that a Fund negotiates financial covenants in conjunction with some of the Fund's debt investments that limit or otherwise restrict some of the business operations of the portfolio companies or provide the Fund with certain rights, such covenants would not be designed to provide the Fund with control of the portfolio companies and would in fact present additional risks such as those associated with lender liability. Additionally, to the extent that a Fund owns equity securities in a portfolio company, such investments will not generally provide the Fund with a control position. In each such case, the Fund will be significantly reliant upon the existing management and board of directors, which may include

representation of other financial investors with whom the Fund is not affiliated and whose interests may conflict with those of the Fund. Accordingly, the Funds are subject to risk that portfolio companies may make business decisions with which the Adviser may disagree, and the Funds will have limited recourse. A lack of liquidity for the portfolio investments would prevent the Funds from disposing of portfolio investments when such a conflict occurs, and as a result, the Funds could incur losses.

***Covenants and Cross-Defaults:*** The Funds negotiate financial covenants in conjunction with some of the Funds' debt investments, or invests in a portfolio company that are subject to the financial covenants of other lenders, such portfolio company's failure to meet financial or operating covenants negotiated by the Funds or other lenders could result in one or more defaults and, potentially, acceleration of principal and interest repayment of its debt and foreclosure upon its assets, which could trigger a cascade of cross-defaults under other legal agreements and ultimately jeopardize the portfolio company's ability to operate and meet its obligations under the debt investments that the Funds hold. As a result, it is possible that the existence of covenants leads to suboptimal investment outcomes for the portfolio investments compared to investing in portfolio companies without financial covenants, and as a result, the Funds could incur losses. Additionally, the Funds could incur additional expenses in the process of resolving issues arising in connection with breaches of covenants and defaults.

***Legal, Tax, and Regulatory Risks:*** Legal, tax, and regulatory changes could occur during the term of the Funds that adversely affect the Funds, their portfolio companies, or partners. In particular, each Fund is licensed as an SBIC under the SBA debentures program and will be affected by any changes to the regulations governing the SBA's debentures program. For example, from time to time, the code of federal regulations is amended to change the amount of financing or the cost of financing available to SBIC funds under the debentures program. The size restrictions and cost of money limitations respectively governing in which small businesses the Funds may invest and on what terms the Funds may do so, may change in accordance with SBA regulations. For example, SBA regulations recently changed under the 2009 American Reinvestment and Recovery Act, or "ARRA," increasing the leverage available to any one particular SBIC from \$137 million to up to \$150 million. Also, the ARRA increased the total amount of leverage available to a group of SBIC funds under common control from \$137 million to up to \$225 million. Although recent changes have been favorable, there can be no assurance that future changes to SBA regulations will be of benefit to the Funds and may in fact be contrary to the interests of the Funds and impair returns. The Funds will not request any ruling from the U.S. Internal Revenue Service ("IRS") as to any federal income tax consequences relating to the structure or operation of the Funds. There can be no assurance that any tax position taken by the Funds will not be challenged by the IRS. One such tax risk is that a limited partner may be allocated income and gain that is taxable for federal (and possibly state and local) income tax purposes without a corresponding cash distribution and without the ability to withdraw funds from the Funds to pay the tax thereon.

## **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.



## **Item 10. Other Financial Industry Activities and Affiliations**

### **Related General Partners**

Certain entities controlled by or under common control with Silver Lake Technology Management serve as general partners of the Funds. For a description of any material conflicts of interest created by the relationship between the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliate Advisers**

Silver Lake Technology Management currently has six adviser subsidiaries based in the United States: Silver Lake Management Company II, L.L.C.; Silver Lake Management Company III, L.L.C.; Silver Lake Management Company IV, L.L.C.; Silver Lake Management Company Sumeru, L.L.C.; Silver Lake Kraftwerk Management Company, L.L.C.; and Silver Lake Waterman Management Company, L.L.C. (collectively, the “Adviser Subsidiaries”).

Although the Adviser employs its own investment advisory personnel, the Adviser also utilizes the services of and obtains assistance from Silver Lake Europe LLP; Silver Lake Asia Limited; Silver Lake Asia, LLC, Japan Branch; Silver Lake (Shanghai) Investment Consulting Co., Ltd.; and Silver Lake Cayman, L.P. (collectively, the “Foreign Affiliate Sub-Advisers” and together with the Adviser Subsidiaries, the “Affiliate Advisers”). The Foreign Affiliate Sub-Advisers, to the extent they assist the Adviser in rendering investment advice with respect to one or more Funds, are considered “participating affiliates” of the Adviser and comply with the required record keeping and inspection provisions of the Investment Advisers Act of 1940 (as amended, the “Advisers Act”) set forth in the *Uniao de Bancos de Brasileiros S.A.* (July 28, 1992) no-action letter and similar SEC staff no-action positions. The Adviser subjects each of the Foreign Affiliate Sub-Advisers and their respective employees to the Adviser’s regulatory oversight and its Code of Ethics (see Item 11) together with its other compliance policies and procedures as adopted pursuant to the requirements of the Advisers Act (in addition to applicable local laws and regulations). Certain Foreign Affiliate Sub-Advisers are registered with the regulatory authorities in their local jurisdiction based on their particular business and requirements of local law. Typically, these Foreign Affiliate Sub-Advisers identify, evaluate and monitor investment opportunities and investments in the foreign jurisdictions in which they are located solely to advise the Adviser on investment opportunities for a Fund. The Foreign Affiliate Sub-Advisers also meet with potential and current non-U.S. investors but do not make investment-related decisions.

The Funds will have certain conflicts with the Adviser, affiliates of the Adviser, and other clients advised by the Advisers or affiliates of the Adviser. Consequently, for purposes of Items 6 and 11, (i) “Adviser” includes Silver Lake Partners, Silver Lake Sumeru, Silver Lake Kraftwerk, Silver Lake Waterman, and the Foreign Affiliate Sub-Advisers, and (ii) “Fund” includes any Fund advised by the Adviser.

### **Related Investment Advisers**

Ajay B. Shah, the Group Head and a Managing Director of Silver Lake Sumeru, is expected to dedicate his time primarily to Silver Lake Sumeru but is also currently involved in managing the affairs of SCP Management Company, LLC, an investment adviser exempt from registration under the Advisers Act under the so-called “Private Fund Adviser Exemption”, and certain of its affiliates, including Shah Capital Partners, Inc. Shah Capital Partners, Inc. manages two investment partnerships, Shah Capital Partners, LP, and Shah Special Opportunities Fund, LP. Neither of these investment partnerships makes new investments and both partnerships are in the runoff phase of their life. Mr. Shah receives compensation from SCP Management Company, LLC or its affiliates in the form of profit sharing.

Richard D. Stubblefield, Jr., a Managing Director of Silver Lake Waterman, is expected to dedicate his time primarily to Silver Lake Waterman, but he also manages and is compensated for managing the liquidating trusts related to Lighthouse Capital Partners IV and V, investment partnerships managed by affiliates of Lighthouse Capital Partners, Inc., a registered investment adviser unaffiliated with the Adviser. These investment partnerships do not make new investments and are in runoff. Mr. Stubblefield also receives compensation related to a license agreement between Lighthouse Management Partners VI, LLC or its affiliates and Searchlight Management Company, the successor Management Company to Lighthouse Capital Partners, Inc.

Jim Davidson, Silver Lake’s Co-Founder, Managing Partner and Managing Director, and several others have formed a multi-family office partnership called Paxion (“Paxion”), a separately registered investment adviser with the objective of investing their families’ assets with a long-term perspective across different sectors and strategies. For additional information on Paxion and any conflicts of interest related thereto, please see Item 11 below.

Many Silver Lake Sumeru professionals have begun working for other investment advisers (each such adviser, an “Other Adviser”), including Sumeru Equity Partners, LLC (“SEP”), an unaffiliated adviser which provides advisory services to Silver Lake Sumeru pursuant to a Sub-Advisory Agreement between Silver Lake Sumeru and SEP (the “Sumeru Sub-Advisor Agreement”). For more information on the Other Advisers (including SEP) and any conflicts of interest related thereto, please see Item 11 below.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all of its members, officers, and employees, as well as officers and employees of its affiliates (“together, “Adviser Personnel”) and certain independent contractors (collectively, “Adviser Covered Persons”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Covered Persons and their covered family members generally may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics; however, with limited exceptions, Adviser Covered Persons and their family members are

prohibited from holding the securities of individual companies in the technology sector. Under the Code of Ethics, Adviser Covered Persons are required to file certain periodic reports with the Adviser as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Covered Persons who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension, or dismissal. Adviser Covered Persons are also required promptly to report any violation of the Code of Ethics of which they become aware. Adviser Covered Persons are required to certify annually their compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Sahil W. Desai, Chief Compliance Officer: Silver Lake, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.

### **Participation or Interest in Client Transactions**

Entities affiliated with, and personnel of, the Adviser invest in and alongside the Funds, either through the general partners, as direct investors in the Funds, or otherwise, such as through side-by-side coinvestment vehicles. No advisory fee is charged nor carried interest taken on investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in a Fund (including a purchaser of a limited partner’s interests in a secondary transaction) or a co-investment opportunity (see below) ask different questions and request different information, the Adviser from time to time regularly provides certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management, and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund will, from time to time, conflict with the interests of the Adviser, other Funds, co-investment vehicles, or their respective affiliates. A description of certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below.

The Adviser from time to time establishes certain investment vehicles through which certain Adviser Personnel, and independent contractors and/or their family members of the Adviser, and/or family members of the Adviser’s affiliates, certain limited partners of the Main Funds, certain business associates, or other persons close to the firm invest alongside one or more Main Funds in one or more investment opportunities. Such vehicles generally are contractually required, as a condition of investment, to purchase and exit their investments in each investment opportunity at substantially the same time and on substantially the same terms as the applicable Main Fund that is invested in that investment opportunity. Such co-investment vehicles

(including Employee Co-Investment Vehicles) typically do not pay Advisory Fees or Carried Interest.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Conflicts may be managed by, without limitation:

- establishing an information barrier to segregate the information within the Adviser which may give rise to a conflict, although the Adviser is only able to do this in certain circumstances since it currently generally runs a unified business;
- segregating responsibilities of individuals or causing any affected individual to appropriately recuse himself or herself from any relevant matter;
- seeking to ensure that the interests of the Adviser and the Funds are aligned to the greatest extent practicable and to minimize non-conforming treatment or the creation of differential interests in the structuring of the applicable arrangement;
- acting in a manner prescribed in the relevant Fund documents (*e.g.*, allocating transaction fees between the Adviser and a Fund in accordance with the fee sharing provisions set forth in the relevant partnership agreement); or
- disclosing the existence of such conflicts in the relevant Fund documents (*e.g.*, a Fund's private placement memorandum).

In addition, many Funds have established an advisory committee, consisting of representatives of CalPERS (which has observer status) as well as other investors that are not affiliated with the Adviser. The advisory committees meet as required (but not less than twice a year) to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion.

### *Conflicts*

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts are disclosed throughout this brochure, and the brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities among Clients*

In connection with its investment activities, the Adviser encounters situations in which it must determine how to allocate investment opportunities among various clients and other persons, which include, but are not limited to, the following:

- the Main Funds;

- any co-investment vehicles that have been formed to invest side-by-side with one or more Funds in all or particular transactions entered into by such Fund(s) (the investors in such co-investment vehicles may include Adviser Investors and/or individuals and entities that are not investors in any Main Funds (“Third Parties”));
- Adviser Investors and/or Third Parties that wish to make direct investments (*i.e.*, not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s);
- The Adviser itself and/or its personnel, members or partners; and
- Adviser Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction.

There may be instances where Adviser Personnel may also allocate investment opportunities to other funds managed by Adviser Personnel. The Adviser will follow the procedures herein with respect to such allocation decisions as though such other fund were a Fund.

In allocating investment opportunities, the Adviser is faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structure, the Adviser may have an incentive to allocate investment opportunities to Funds from which the Adviser or its affiliates derives, directly or indirectly, a higher fee, compensation or other benefit. To address these potential conflicts of interest, the Adviser has adopted written policies and procedures relating to the allocation of investment opportunities and makes allocation determinations consistently therewith.

Most Funds are subject to investment allocation requirements (collectively, “Investment Allocation Requirements”), which will also apply directly or indirectly to certain co-investment vehicles with investments contractually tied to the Funds. Investment Allocation Requirements, if any, are set forth in the Fund’s Governing Documents. To the extent the Investment Allocation Requirements of a Fund do not include specific procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow the process set forth below.

The procedures set out below address how the Adviser ensures that investment opportunities and their attendant fees and expenses are allocated fairly and equitably among the Funds to the extent the Investment Allocation Requirements of a Fund permit the Adviser to use its discretion to allocate a specific investment opportunity.

One or more of the following factors, without limitation, will be taken into account when determining an allocation:

- a Fund’s existing positions in a particular security or issuer;
- the liquidity of a particular Fund;
- a Fund’s investment policies and restrictions, guideline limitations, or investment objectives;

- the size of a particular Fund;
- transaction sourcing;
- diversification;
- lender covenants;
- the tax implications of an investment for a particular Fund;
- the remaining investment period and/or life of the particular Fund;
- legal, regulatory, and contractual restrictions for a particular Fund; and
- such other factors as the Adviser may reasonably deem relevant.

The Adviser will not allocate investment opportunities, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund.

To the extent that the Adviser of a Fund and the Adviser of another Fund are interested in contemporaneously making an investment, the Advisers will work in good faith towards mutual agreement on an allocation prior to the consummation of the initial purchase of an opportunity. To the extent such Advisers are unable to reach a mutual agreement on an investment allocation, the matter will be referred, if applicable, to the Funds' Investment or Strategy Committees, and if no such committee exists, to the Silver Lake Managing Partners and/or Conflicts Committees to determine, in its good faith judgment taking into account all relevant factors, the appropriate allocation for the Funds.

Additionally, to the extent an investment opportunity is appropriate for both a Fund principally designed as an investment vehicle for third party investors unaffiliated with the Adviser (collectively, "Third Party Funds") and each individually, a "Third Party Fund"), and a Fund principally designed as an investment vehicle for the permanent capital or employees of the Adviser (collectively, the "Internal Funds" and each individually, an "Internal Fund"), such investment opportunity will only be allocated to an Internal Fund if there is additional capacity to participate in such opportunity beyond full participation by all Third Party Funds for which such investment opportunity is appropriate, as determined by the Adviser in good faith, in accordance with the partnership agreement of such Third Party Fund.

One or more Funds may invest in securities of publicly traded companies that are actual or potential portfolio companies of one or more other Funds. The investment objectives and trading activities of the various Funds with respect to the same securities may vary between and among Funds.

In addition, principal executive officers and other personnel of the Adviser invest indirectly in and may be permitted to invest directly in Funds and may therefore participate directly or indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

In the case where a Fund co-invests with other Funds (including co-investment or other vehicles in which the Advisers or their respective personnel invest and that co-invest with such other Funds) in investments that are suitable for both such Fund and such other Funds, even if such Fund (or any such other Funds) invests in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with respect to price and timing) for the Funds may not be the same. Additionally, the Funds will likely have different expiration dates and/or investment objectives (including return profiles) and the Advisers, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities. To the extent that a Fund holds interests that are different (or more senior) than those held by other Funds, the Advisers may be presented with decisions involving circumstances where the interests of such Funds are in conflict with each other. Furthermore, it is possible a Fund's interest is subordinated or otherwise adversely affected by virtue of another Fund's involvement and actions relating to its investment. Moreover, while the Advisers generally seek to use reasonable efforts to avoid cross-guarantees and other similar arrangements, it is possible that a counterparty, lender or other unaffiliated participant in such transaction requires or desires facing only one fund entity or group of entities, which may result in a Fund being (i) solely liable with respect to its own and such third party for other Funds' share of the applicable obligation and/or (ii) jointly and severally liable for the full amount of such applicable obligation, in each case which would result in the Funds entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any of Funds would be compensated (or provide compensation to the other) for being primarily liable *vis-à-vis* such third party counterparty. See "*Conflicts Related to Purchases and Sales*" below for additional information on Funds co-investing with other Funds.

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated to certain participants in the applicable deal by contract, such as consultants and advisors to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interests of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds' Governing Documents and as set forth in the following paragraphs.

Certain investors have a contractual right to co-invest previously elected amounts alongside the Funds. Other than those investors and subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons and investors may be offered a smaller amount of a co-investment opportunity than originally requested, (iv) certain persons other than investors in the Funds will, from time to time be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have

consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Additionally, a non-binding acknowledgement by the Adviser of an investor's interest in co-investment opportunities does not require the Adviser to notify such investor of any co-investment opportunity or make an offer thereof.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among potential co-investors, the Adviser considers some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

- the Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that person or entity (in terms of, for example, staffing, expertise, and other resources) to participate efficiently and expeditiously in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Funds(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- any confidentiality concerns the Adviser has that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity;
- the Adviser's evaluation of its past experiences and relationships with the potential co-investment party, such as the likelihood or ability of such person or entity to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser;
- the Adviser's evaluation of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media, or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered;
- the Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as the company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and
- whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen, and/or cultivate relationships with an existing or prospective limited partner that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among various potential investors in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations



may be more or less advantageous to some such persons relative to other such persons. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist. To the extent the Governing Documents of the Funds contain parameters or restrictions on "co-investment" or matters related thereto (including restrictions on the Adviser and its affiliates with respect to co-investments alongside the Fund), "co-investment" will generally be interpreted to mean those situations where an investment is being made at or around the same time, and in the same securities, as the Fund is acquiring in a privately negotiated transaction (and not in the open market). In any other circumstances, an investment by the Adviser and its affiliates, even if in a portfolio company of a Fund, will not be considered "co-investment".

CalPERS, by virtue of its stake in the General Partner of Silver Lake, has in the past received and will in the future receive the opportunity to co-invest fee-free on a "blind pool" basis in transactions made by the Funds over a preset time period. Such investments are added to Silver Lake's affiliates' investments for purposes of calculating limits under the LPA on the General Partner's ability to make co-investments. For the most recent Silver Lake Partners fund, CalPERS has exercised this right to invest a significant amount of capital on this basis. These opportunities are distinct from the individual company co-investment opportunities offered to all limited partners including CalPERS, which are subject to the Adviser's sole discretion, as described above.

In the event the Adviser offers an investment opportunity to potential co-investors, there can be no assurance that such investment will be participated in by any potential co-investor, if at all, that the closing of such co-investment will be consummated in a timely manner, that such co-investment will take place on the terms and conditions that will be preferable for the Fund or that expenses incurred by the Fund with respect to the syndication of such co-investment will not be substantial. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Fund may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by the Fund which is not syndicated to co-investors as originally anticipated could significantly reduce the Fund's overall investment returns.

To the extent the Adviser has discretion over granting or withholding consent to a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally considering the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish,

recognize, strengthen and/or cultivate relationship that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser;

- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- Requirements in such Fund's Governing Documents; and
- Such other facts as it deems appropriated under the circumstances in exercising such discretion.

A purchaser's potential investment into another Fund (including any commitment to a future fund) may be considered, but will not be the sole determining factor considered by the Adviser in determining whether to grant or withhold its consent to a secondary transfer of interests in a Fund.

### *Valuation of Assets*

The Adviser is responsible for the valuation of each Fund's assets, in accordance with such Fund's Governing Documents and valuation policies. There is no actively traded market for most of the securities owned by the Funds. Securities and all other assets for which no market prices are available will be valued at such value as the Adviser may reasonably determine.

Valuations are generally subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold.

It is the Adviser's policy to determine the "fair value" of the Funds (with the exception of Silver Lake Waterman, which applies SBA guidelines) in accordance with U.S. Generally Accepted Accounting Principles, particularly Accounting Standard Codification 820, Fair Value Measurements. When estimating fair value, a methodology is applied in light of the nature, facts and circumstance of the investments. With respect to the Funds, the exercise of such discretion by the Adviser may give rise to conflicts of interest, as such valuations affect performance calculations. In the case of certain Funds, the valuation of investments will affect the amount and timing of the Carried Interest under certain circumstances. The reported performance resulting from the valuation of investments may also affect the ability of the Adviser to raise the successor fund to a Fund. As a result, there may be circumstances where the Advisers are incentivized to determine valuations that may be higher than the actual fair value of investments. In order to mitigate this conflict, valuations are subject to multiple levels of review for approval, and all portfolio investments are fairly valued in accordance with the procedures set forth in the Adviser's Valuation Policy. The Adviser has also engaged an independent third-party valuation firm to provide valuation services for the majority of the securities owned by the Funds, which the Adviser believes may mitigate any potential conflicts of interest that may arise.

### *Conflicts Related to Purchases and Sales*

Conflicts will arise when a Fund makes investments in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Investment opportunities are, from time to time, appropriate for different Funds at the same, different, or overlapping levels of a portfolio company's capital structure. Additionally, a Fund may buy or sell securities or other instruments in companies in which the Adviser, its affiliates or their Adviser Personnel are invested. Adviser Personnel have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments. Conflicts in respect of these transactions have in the past arisen and may in the future arise in determining the terms of investments, particularly where these clients or Adviser Personnel invest in different types of securities in a single portfolio company. Questions have in the past arisen and may in the future arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring have in the past raised and may in the future raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. Certain clients of the Adviser invest in bank debt and securities of companies in which other clients or Adviser Personnel hold securities, including equity securities. In the event that such investments are made by a Fund, the interests of such Fund will, at times conflict with the interest of such other Fund or Adviser Personnel, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds or Adviser Personnel may or may not provide such additional capital, and if provided will be supplied in such amounts, if any, as determined by the applicable Adviser or Adviser Personnel. In addition, a conflict would arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of the Adviser or Adviser Personnel in a portfolio company also raise the risk of using assets of a client of the Adviser to support positions taken by Adviser Personnel other clients of the Adviser. There can be no assurance that the return of a Fund participating in these transactions would be equal to and not less than another Fund or Adviser Personnel participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Certain clients of the Adviser, and the Adviser and/or its affiliates, have in the past invested and may in the future invest, in bank debt and securities of companies in which the Adviser, its affiliates, other clients, or Adviser Personnel hold securities, including equity securities.

A Fund may, from time to time invest in opportunities that other Funds have declined, and likewise, a Fund may, from time to time decline to invest in opportunities in which other Funds have invested.

From time to time the Adviser will, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser will consider some or all of the factors listed above under “*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*”. The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Governing Documents of the applicable Fund(s).

From time to time, a Fund sells down an interest in one of its portfolio companies to co-investors. Subject to a Fund’s Governing Documents, the Fund may charge (or may decide not to charge) a co-investor (such as a Fund investor or third party) interest costs for the time period between the closing of such Fund’s investment in the portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor. Additionally, in the event a Fund bridges an investment with a short-term loan facility pending the receipt of capital contributions from the Fund investors, subject to such Fund’s Governing Documents, the General Partner may charge (or may decide not to charge) such Fund (including the Fund investors) interest costs incurred in connection with such loan for the time period between the receipt of funds from such loan to the date on which the loan is paid off by such Fund.

#### *Cross-Transactions*

While the Governing Documents of the Funds limit the ability of the Adviser to engage in such transactions, the Adviser may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser and/or its professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser may receive management or other fees in connection with its management of the relevant Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Funds.

To address these conflicts of interest, the Adviser must comply with the conditions set forth in the Governing Documents of the applicable Fund. For example, the Adviser may be required to notify the limited partner advisory committee of the relevant Fund if another Fund owns over 1% of the equity of the company being sold, and the Adviser may be required to obtain the approval of the limited partner advisory committee of the relevant Fund if another Fund owns over 5% of

the equity of the company being sold. Additionally, the Adviser will follow the Investment Allocation Requirements of the relevant Funds. To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's internal legal and compliance team will be responsible for confirming that the Adviser (i) considers its duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not effect any such transaction for any Fund where the Adviser is deemed to own more than 25% of the Fund, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of the Funds, the Adviser may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the Governing Documents generally contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

### *Management of the Funds*

The Adviser manages a number of Funds that have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" above. In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including funds that may be raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by the Fund. Conflicts of interest may arise in allocating time, services, or functions of these officers and employees.

The Funds may enter into borrowing arrangements that require the Funds to be jointly and severally liable for certain obligations. If one Fund defaults on such an arrangement, the other Funds would typically be held responsible for the defaulted amount. The Funds have no current

intention to do so and will only enter into such joint and several borrowing arrangements when the Adviser determines it is in the best interests of the Funds.

Certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies, and the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Such expenses may include airfare (whether private charter, first class, and/or business class), which can be substantial.

#### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest often arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

#### *Conflicts Relating to the Adviser*

The Adviser generally has in the past and may again, in its discretion, (i) contract with any related person of the Adviser (including but not limited to a portfolio company of a Fund) to perform services for the Adviser in connection with its provision of services to the Funds or (ii) recommend to, or contract on behalf of, a Fund, a portfolio company thereof, or a third party service provider utilized by the Adviser, a Fund, or a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (x) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (y) an entity with which the Adviser or a member of its personnel has a relationship or from which the Adviser or its personnel otherwise derives financial or other benefit. The Adviser may, because of its financial or other business interest, have an incentive to recommend or engage the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser and Adviser Personnel may buy or sell securities or other instruments that the Adviser has recommended to Funds. Adviser Personnel may also buy securities in transactions offered to but rejected by Funds. A conflict of interest may arise because such investing Adviser Personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, the investing Adviser Personnel will not share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity. In addition, Adviser Personnel may also buy securities in other investment vehicles including private equity funds, hedge funds, real estate funds and similar investment vehicles) which will likely include potential competitors of the Funds. The investment policies, fee arrangements, and other circumstances of these

investments may vary from those of the Funds. If Adviser Personnel have made large capital investments in or alongside the Funds they will have conflicting interests with respect to these investments.

### *Providers of Operations Support*

The Adviser, general partner and the portfolio companies of a Fund will from time to time engage and retain other companies and individuals, including senior and special advisors or similar consulting professionals (“Operations Support Providers”), which are not employees or affiliates of the general partner. The Operations Support Providers are engaged to provide operational support, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies (“Operations Support Services”). These services may be high level insight, industry-specific insights, transaction diligence assistance, or extensive day-to-day roles (including serving as executives or as directors on or advisors to the boards of portfolio companies or contribute to the origination of new investment opportunities) and may include support to the general partner or portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. The nature of the relationship with each such Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. Operations Support Providers may have the right or may be offered the ability to co-invest alongside the Funds, including but not limited to those investments in which they are involved, or otherwise participate in equity plans for management of any such portfolio company. Additionally, and notwithstanding the foregoing, these senior advisors and/or other similar consulting professionals may be investors in the Funds.

Pursuant to the organizational documents of the Funds, fees and expenses associated with Operations Support Services (“Operations Expenses”) are paid and/or reimbursed by portfolio companies and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) will be determined at the discretion of the general partner taking into account the particular Operations Support Services, may include an annual fee or retainer, a discretionary bonus, profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation to the Operations Support Provider, and will otherwise be determined in accordance with one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. The determination of whether a service is an Operations Support Service will be made by the general partner, in its good faith discretion. Operations Expenses will, from time to time, also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by the general partner or the Adviser, as applicable in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Funds or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the Adviser or its affiliates. The general partner’s determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses is in the Adviser’s discretion.

There can be no assurance that any of the Operations Support Providers will continue to serve in such roles and/or continue their arrangements with the Adviser, the Funds and/or any portfolio companies throughout the terms of the Funds.

#### *Fee Structure*

Because there is a fixed investment period after which capital from investors in certain Funds will only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure creates an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the Advisers are entitled to Carried Interest under the terms of the Organizational Documents of certain Funds. The existence of the Adviser’s Carried Interest creates an incentive for the Adviser to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Pursuant to the Governing Documents, the general partner may be required to return excess amounts of Carried Interest as a “clawback”. This clawback obligation may create an incentive for the general partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the general partner.

#### *Diverse Membership*



Investors often have conflicting investment, tax, and other interests with respect to their investments in the Funds. The conflicting interests of individual investors relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest arise in connection with the decisions made by the Adviser, including with respect to the nature or structuring of investments that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, the Adviser will consider the investment and tax objectives of the Funds, not the investment, tax, or other objectives of any investor individually.

#### *Business with Portfolio Companies and Investors*

At times, the Adviser recommends a portfolio company services to other portfolio companies which may involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate of the Adviser, or a portfolio company. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best or lowest cost option available to the portfolio companies held by the Funds and could result in higher expenses for the portfolio company as well as an advantage for the Fund holding the service-providing portfolio company. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio companies receiving the service.

The Adviser generally has an incentive to recommend the products or services of certain investors in the Funds, certain Third Parties (including lending sources), or their related businesses to the Funds, or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best or lowest cost option available to the Funds or the portfolio companies and could result in higher expenses for the portfolio company as well as an advantage for the Fund holding the service-providing portfolio company.

Portfolio companies controlled by a Fund have in the past, and will, from time to time in the future provide services to certain Fund investors. The Adviser has an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

In addition, portfolio companies of the Funds offer the Adviser and its related persons products and services at a discounted price or on better terms that would not be offered to a third party in an arm's length transaction. Such discounted price or better terms could adversely affect the returns of such portfolio companies and, in turn, the returns of the Funds. For additional information regarding discounts on products and services provided by portfolio companies of Funds, please see Item 5 above and Item 14 below.

The Adviser may engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

In certain instances, a Fund's portfolio company may compete with another Fund's portfolio company. A conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a competitor portfolio company owned by another Fund.

In addition, certain portfolio companies of the Funds are, or have been, counterparties to, or participants in agreements, transactions or other arrangements with the Adviser, its affiliates, other portfolio companies of the Adviser's clients. The Adviser and its related persons, in certain instances, receive favorable procurement terms, including fees, servicing payments, rebates, discounts and other financial benefits on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies. Such discounts will also not be subject to the offset arrangements described above. The Adviser is often eligible to receive favorable terms for its procurement due in part to the involvement of its portfolio companies in such arrangements, and any discounted amounts will not be subject to offsets or otherwise shared with the relevant Funds. Moreover, the Adviser and its affiliates and/or a Fund may participate in or purchase debt or securities of a portfolio company in a syndication, underwriting or other similar transaction, in which case the Adviser and its affiliates and/or such Fund, as applicable, will benefit from a discount or rebate (which may come in the form of a purchase price reduction) on its portion of the commitment, underwriting or other similar fee, and any such discount or rebate likewise will not be subject to the sharing or offset arrangements described above.

The Adviser and/or its affiliates may engage in business with certain service providers, including for example, investment bankers and outside legal counsel who are investors in Funds and/or who provide services (including mezzanine and/or lending arrangements) to the Adviser, the Funds, the portfolio companies and/or businesses that are competitors of the Adviser. Such engagement may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in the Fund. This creates a conflict of interest, as the Adviser may give such investor preferred economics or other terms with respect to its investment in a Fund, or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor. The Adviser will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. There is a possibility that the Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. In these instances the Adviser uses reasonable

efforts to mitigate such conflicts and uses good faith efforts to negotiate market terms for such law firm and service providers' services.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The general partner of a Fund will from time to time utilize the services of investors and their affiliates on an arm's length basis on commercially reasonable terms, as it deems appropriate.

#### *Allocation of Personnel*

The Adviser will devote such time as necessary to conduct the business affairs of the Funds in an appropriate manner. Adviser Personnel will work on other projects, including its prior funds and their investments, and possibly other vehicles and activities. Such personnel will also serve as members of the boards of directors of various companies other than portfolio companies. Conflicts may arise as a result of such other activities. The possibility exists that such companies could engage in transactions which would be suitable for the Funds, but in which the Funds might be unable to invest.

#### *Material, Non-Public Information*

By reason of their responsibilities in connection with their other activities, from time to time, certain personnel of an Adviser acquire material non-public information or other confidential information or are restricted from initiating transactions in certain securities. The Funds advised by such Adviser and Funds advised by a different Adviser will not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

#### *Positions with Portfolio Companies*

Certain employees and members of the Adviser serve as directors of portfolio companies. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of the Fund, it is expected that the interests will mostly be aligned. Additionally, such persons are required to remit to the Adviser any remuneration they receive as directors on behalf of the Adviser. Such remuneration is then subject to the sharing or offset arrangements discussed above. Occasionally, a senior advisor will serve as a director of a portfolio company. In this case, it is expected that his/her remuneration will not be remitted to the Adviser nor offset. In addition, employees of the Adviser have in the past, and will likely in the future leave the employment of the Adviser and become an officer or employee of a portfolio company. At such time, any remuneration received by such employees, including for any board service, is no longer remitted to the Adviser nor is it subject to the offset arrangements.

In addition, from time to time certain employees and members of the Adviser serve in bona fide, non-director management capacities (or other operational capacities involving a material portion of such person's business time) at portfolio companies. In such cases, the Adviser will not offset

compensation directly or indirectly received by such employees or members pursuant to the respective Fund's Governing Documents.

The Adviser and its personnel can also be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund which will not be subject to the offset arrangements described above or otherwise shared with such Fund, its limited partners and/or portfolio companies. For example, airline travel or hotel stays incurred as Fund expenses may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to the Adviser and/or such personnel (and not such Fund, its limited partners and/or portfolio companies) even though the cost of the underlying service is borne by such Fund and/or portfolio companies.

#### *Side Letter Agreements; Advisory Committee Rights*

The Adviser has in the past entered into, and expects to enter in the future into, side letter or other similar arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms. Such rights or terms in any such side letter or other similar agreement with an investor may include, without limitation, (i) economic arrangements, (ii) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (iii) the Adviser's agreement to extend certain information rights or additional reporting to such investor, including, without limitation, to accommodate special regulatory or other circumstances of such investor, (iv) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the Adviser for the benefit of lenders or other persons extending credit to or arranging financing for the Fund, (v) consent of the Adviser to certain transfers by such investor or other exercises by the Adviser of its discretionary authority under the Governing Documents for the benefit of such investor, (vi) restrictions on, or special rights of such investor with respect to the activities of the Adviser, (vii) withdrawal rights (subject to consent of the Adviser) due to legal, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, (viii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor, and (ix) matters regarding such investor's right to participate in investment opportunities. Except as otherwise agreed to with an investor, the Adviser is not required to disclose the terms of side letter arrangements with other investors in the same Fund. Such side letter agreements may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements.

Many of the Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all, investors are permitted to designate a member to the advisory committee. The Adviser may also consult with an advisory committee as to certain potential conflicts of interest, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee.

#### *Advisory Affiliates*

As described in Item 10 above, each Adviser has its own clients. Clients of the Advisers invest in the same portfolio companies from time to time, including in the same security or in different securities of such a portfolio company. In such circumstances, interests of the Adviser's clients would conflict with the interests of the clients of these affiliates. For instance, see *"Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities"* and *"Conflicts Related to Purchases and Sales"* above for more information.

#### *Other Potential Conflicts*

Investors should be aware that there will be instances where the interests of affiliates of the Adviser may potentially or actually conflict with the interests of the Funds and the investors. If any matter arises that the general partner or the Adviser determines in its good faith judgment constitutes an actual or potential conflict of interest, the general partner or the Adviser will take such actions as may be necessary or appropriate to ameliorate or disclose such conflict. By investing in the Funds, each investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. From time to time, members of the law firms engaged to represent the Funds invest in the Funds, and also represent one or more portfolio companies or investors in the Funds. In the event of a significant dispute or divergence of interest between a Fund and the Adviser, the parties may engage separate counsel in the sole discretion of the Adviser, and in litigation and other circumstances separate representation may be required. Legal counsel of the Adviser and the Funds renders legal services to the Adviser and the Funds and does not represent the interests of any investor in a Fund. Additionally, the Adviser and the Funds and the portfolio companies of the Funds engage other common service providers from time to time. In such circumstances, there may be a conflict of interest between the Adviser, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to the Adviser or its affiliates as compared to services provided to the Funds and/or the portfolio companies, which may result in the Adviser or its affiliates receiving a more favorable rates or arrangements with respect to services provided to it by a common service provider than those payable by the Funds and/or the portfolio company, or the Adviser or its affiliates receiving a discount on services even through the Funds and/or the portfolio companies receive a lesser, or no, discount. For example, both the Adviser and the Funds benefit from a 10% discount from our primary outside law firm for non-transactional work. In addition, time spent by attorneys in such law firm's personal planning department, whether for transactional or non-transactional matters and whether for the Adviser or the Funds, is billed at a 30% discount to the law firm's regular hourly rates, reflecting what we understand to be the law firm's prevailing market rate for those lawyers' services. In practice, this 30% discount tends to benefit the Adviser and individuals affiliated with the Adviser as the Funds do not have a regular need for personal planning advice.

The Adviser has in the past and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements, or agreements with persons who are former employees or executives of the Adviser. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements, or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements, or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Organizational Documents of certain Funds permit each such Fund's general partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable general partner or affiliate and the Fund acting as borrower.

Furthermore, pursuant to the Organizational Documents of the Funds, the general partner of each Fund, or its affiliates, may receive distributions in kind from an investment disposition. In the event the general partner of a Fund, or its affiliates, receive such a distribution, such general partner may act in its own interest with respect to its share of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as such general partner shall determine. The ability of a general partner of a Fund to act in its own interest with respect to such distributed shares creates a conflict of interest between such general partner or affiliate, as an adviser to such Fund, and such Fund.

The Organizational Documents of certain Funds permit each such Fund's general partner to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The general partner may elect to withhold certain information to such limited partners for reasons relating to the general partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

CalPERS previously owned 9.9% and currently owns 0.5% of Silver Lake Technology Management and is also an investor in certain Funds. The Adviser and CalPERS have an agreement pursuant to which, by a future date, the members of the Adviser have the right to purchase CalPERS' remaining stake for fair market value and pursuant to which CalPERS can force members of the Adviser to repurchase the remaining stake upon similar terms. As a result, members of the Adviser expect to acquire CalPERS' remaining stake within the next few months or years.

The Adviser may have an incentive to provide more favorable terms to CalPERS than to other investors, or manage the Funds' investments in a manner beneficial to CalPERS, as a result of CalPERS' ownership interest in the Adviser. CalPERS has always served on the "LP Advisory Committees" of certain Funds (where it is now an observer until such time as it may exit its investment in the Adviser) and, while it serves in that role as a result of its very significant

commitments as a limited partner in those Funds, it may also be incentivized to take into account considerations that are favorable to the Adviser (and not other investors in the Funds).

As described in Item 10 above, Jim Davidson, Silver Lake's Co-Founder, Managing Partner and Managing Director, and several others have formed Paxion. Mr. Davidson is a managing member and serves on the Investment Committee of Paxion, a registered investment adviser which receives advisory fees for asset management. Paxion is not expected to invest in the same types of portfolio companies as Silver Lake's funds because they have a different investment focus, and Paxion's investment activities will be subject to Silver Lake's pre-clearance and investment reporting policies. However, Paxion committed a portion of its assets to a private venture capital fund, WRV II, which we expect will invest in companies of varying sizes within the technology sector and which will not be subject to Silver Lake's pre-clearance and investment reporting policies. Mr. Davidson will not be a member of the Investment Committee of the WRV II general partner and/or its adviser. As a significant initial contributor of capital to WRV II, Paxion will receive a portion of the carried interest of B WRV II, if any is earned.

Silver Lake will continue to be Mr. Davidson's primary business activity and one to which he will devote substantially all of his business time, however, Mr. Davidson also will spend a portion of his time assisting Paxion with its investment activities or working on other projects. Conflicts may therefore arise between Silver Lake and Paxion with respect to the allocation of Mr. Davidson's professional time and resources.

Silver Lake's advisory business is completely separate and independent from Paxion, however, Silver Lake and Paxion may advise entities with overlapping limited partners. Due to the overlapping limited partners, Paxion (through Mr. Davidson or otherwise) may present investment opportunities to certain Silver Lake limited partners that are not available to Silver Lake Funds or to all of Silver Lake Funds' limited partners. In order to neutralize any potential conflicts of interest around Paxion, the Adviser has established policies and procedures to ensure fair treatment of limited partners. This includes ensuring that limited partners who are also investors in Paxion advised entities are not offered more favorable terms in Silver Lake Funds than other Silver Lake limited partners.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

#### **Conflicts Applicable to Silver Lake Sumeru:**

The SLS Fund is not making any new investments other than follow-on investments, and Silver Lake Sumeru is in the process of finding liquidity for its existing investments. Accordingly, as described in Item 10 above, Silver Lake Sumeru professionals have begun working for Other Advisers, including SEP, which provides advisory services to Silver Lake Sumeru subject to the approval and consent of the investment committee of the general partner of the SLS Fund pursuant to the Sumeru Sub-Advisor Agreement. Therefore, the following conflicts of interest are applicable to Silver Lake Sumeru and the SLS Fund:

### *Time and Attention*

The success of the SLS Fund will depend substantially on the Other Adviser's investment professionals' ability to, among other things, maintain or improve the operations and performance of its investments and exit investments at the appropriate time and at attractive valuations. Most or all professionals of the Other Advisers, however, will also spend a significant amount of time assisting the investment activities of, or working on other projects with respect to such Other Adviser and the private investment funds it manages. Conflicts may therefore arise with respect to the Other Advisers and the allocation of the investment professionals' time and resources.

In addition, this conflict of interest may motivate personnel of the Other Advisers to dispose of SLS Fund portfolio companies at an inopportune time or price in order to be able to focus more on the activities of the private investment funds managed by such Other Adviser. With respect to SEP, the sub-advisory fee payable pursuant to the Sumeru Sub-Advisory Agreement and the Carried Interest paid to the general partner of the SLS Fund (of which certain SEP personnel are entitled to a portion) mitigates this conflict of interest by aligning more closely the financial interests of SEP with the SLS Fund investors.

### *Allocation of Personnel*

Certain former investment advisory personnel of Silver Lake Sumeru (who are now current employees of Other Advisers) serve as members of the boards of directors (or similar governing bodies) of various companies that are not the SLS Fund's portfolio companies. The possibility exists that such companies could engage in transactions that would be suitable for the SLS Fund, but in which the SLS Fund might be unable to invest due to conflicts or otherwise.

### *Material Non-Public Information.*

Silver Lake Sumeru and the Other Advisers regularly obtain confidential information regarding various target companies and other investment opportunities. By reason of their responsibilities in connection with their activities for the Other Advisers, certain personnel of the Other Advisers may acquire material non-public information or other confidential information or be restricted from initiating transactions in certain securities especially with respect to publicly traded securities, and as a result, the Other Advisers will not be free to act upon any such information. Due to these restrictions, SEP may not be able to initiate a transaction that it otherwise might have initiated and SLS Fund may not be able to sell an investment that it otherwise might have sold.

All former employees of Silver Lake Sumeru who are now current employees of Other Advisers are still required to comply with the Adviser's Code of Ethics and Compliance Policies and Procedures, including any policies and procedures with respect to material non-public information, confidentiality and insider trading.

### *New Investments*

Certain former personnel of Silver Lake Sumeru (and current employees of the Other Advisers) serve on the investment committee of the general partner of the SLS Fund and such persons may



serve on the investment committee of other private investment funds managed by such Other Adviser. Although the SLS Fund does not anticipate making new investments other than follow-on investments, the SLS Fund's portfolio companies may still make follow-on acquisitions. As a result, there will be conflicts of interest in allocating an investment opportunity if that might be an appropriate follow-on investment for a SLS Fund portfolio company and a fund advised by such Other Adviser.

In addition, when the SLS Fund actively invested in new portfolio companies, Silver Lake Sumeru was a source of investment opportunities to the other Funds of the Adviser (e.g., when a potential investment sourced by Silver Lake Sumeru was deemed inappropriate for the SLS Fund, but could be appropriate for other Funds based on their objectives and strategies). As Silver Lake Sumeru personnel are not sourcing new investments other than follow-on investments for the SLS Fund, such opportunities will no longer necessarily continue to be provided to the other Funds.

### *Overlapping Ownership*

Certain senior personnel of the Adviser, including members of the Silver Lake Sumeru investment committee, may own interests in an Other Adviser. As a result, the conflicts described in "Time and Attention" and "New Investments" above will apply to their activities as well.

## **Item 12. Brokerage Practices**

To meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Funds, the Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction. "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser's relevant deal team takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, among others, the following: quality of execution (accurate and timely execution, clearance and fair error/dispute resolution); reputation, financial strength, integrity and stability; block trading and block positioning capabilities; willingness to execute difficult transactions; willingness and ability to commit capital; access to underwritten offerings and secondary markets; ongoing reliability; overall costs of a trade (*i.e.*, net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Adviser's knowledge of negotiated commission rates currently available and other current transaction costs; nature of the security and the available market

makers; desired timing of the transaction and size of trade; confidentiality of trading activity; market intelligence regarding trading activity; and the receipt of prime brokerage and related services, including capital introduction and introductions to management and research and industry information. To the extent consistent with achieving best execution, the Adviser also considers other business a particular broker or dealer has have done with the Adviser, such as identifying investment opportunities or potential investors or performing investment banking services. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

The relevant deal teams and the Adviser's Chief Compliance Officer ("CCO") are responsible for periodically determining broker-dealer eligibility and for reviewing broker-dealer trading volumes, prices, commissions, other transaction costs, and the overall quality of execution, among other things.

### **Aggregation of Trades**

From time to time, the Adviser and its affiliates will aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest, such as the Employee Co-Investment Vehicles. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid, and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes Managing Directors and other investment professionals of the Adviser.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of such Fund if required by the Fund's Governing Documents, or within 120 days, as well as quarterly performance

reports within 45 days after each of the first three fiscal quarters end if required by the Fund's Governing Documents. The Adviser from time to time, in its sole discretion, provides additional information relating to such Fund to one or more investors in such Fund as it deems appropriate.

#### **Item 14. Client Referrals and Other Compensation**

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons, in certain instances, receive discounts on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies. Such discounts will not reduce the amount of Advisory Fees paid by any Fund.

While not a client solicitation arrangement, the Adviser has in the past and may from time to time in the future engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Advisory Fees received by the Adviser are generally reduced by the amount of such fees paid by the Fund. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

#### **Item 15. Custody**

As the Adviser relies on the "audit exemption" under the Advisers Act custody rule (*i.e.*, Rule 206(4)-2(b)(4)), investors in the Funds will not receive account statements from the Funds' custodians.

#### **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

#### **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consents as a security holder with respect to securities owned by the Funds ("Votes") for which the Adviser exercises voting authority and discretion. The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's CCO, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser's Vote.

All voting decisions initially are referred to the appropriate investment professional for a voting decision. In most cases, the relevant deal team will make the decision as to the appropriate vote for any particular Vote. In making such decision, the deal team will rely on any of the information and/or research available to it. If the relevant deal team is making the voting decision, it will inform the CCO of any such voting decision, and if the CCO does not object to such decision as a result of his conflict of interest review, the Vote will be voted in such manner.

The Adviser's CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions will require a mandatory conflicts of interest review by the Adviser's CCO in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or the Adviser's affiliates and their clients has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser's CCO will use his best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his independent assessment of the best interests of the Funds.

Where the Adviser's CCO deems appropriate in his sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's CCO shall have the power to retain independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants, or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Sahil W. Desai: Chief Compliance Officer, Silver Lake, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.

#### **Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.